

**Small Business Lending**  
**in**  
**Massachusetts**  
**2007–2014**

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**M | C | B | C**

MASSACHUSETTS COMMUNITY & BANKING COUNCIL

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## FOREWORD

The Massachusetts Community & Banking Council (MCBC) is pleased to offer *Small Business Lending in Massachusetts, 2007-2014*, its 17<sup>th</sup> report on small business lending patterns. The report includes data on small business lending across the state and the impact of small business lending on the state's overall economy. As before, this report also focuses on small business lending in low income and traditionally underserved areas. Along with the report, MCBC is also providing supplemental data tables on small business lending in the form of an on-line appendix. The report and the appendix are both available on MCBC's website at [www.mcbbc.info](http://www.mcbbc.info). MCBC hopes that this report can help to increase access to credit for small businesses by providing a snapshot of current small business lending patterns and the performance of major types of lenders.

MCBC was established in 1990 to bring together community organizations and financial institutions to affect positive change in the availability of credit and financial services across Massachusetts by encouraging community investment in low and moderate income and minority group neighborhoods and providing research, other information, assistance and direction in understanding and addressing the credit and financial needs of low and moderate income individuals and neighborhoods.

MCBC's Economic Development Committee, which includes representatives from city and state programs, regulatory agencies, community and non-profit organizations and financial institutions, oversees preparation of this report and works to identify other ways to leverage public and private resources to support small business development. The Committee regularly hosts speakers from a variety of city, state and community-based programs that assist small businesses and promote economic development in low- and moderate-income areas. Further information on MCBC's committees and programs, along with other MCBC reports, are also available on MCBC's website.

MCBC depends on the financial support of its members to produce reports like *Changing Patterns*. MCBC thanks the following financial institutions for their 2015 membership:

Abington Bank	Everett Co-operative Bank
Avon Co-operative Bank	Industrial Credit Union
Bank of Canton	Leader Bank, N.A.
Beverly Co-operative Bank	Mansfield Co-operative Bank
Blue Hills Bank	Mass Bay Credit Union
Boston Private Bank & Trust Company	North Cambridge Co-operative Bank
Braintree Cooperative Bank	Patriot Bank
Cambridge Savings Bank	People's United Bank
Cape Cod Five Cents Savings Bank	Randolph Savings Bank
Capital One	RTN Federal Credit Union
Citi	Santander
Citizens Bank	StonehamBank – A Co-operative Bank
Colonial Federal Savings Bank	TD Bank
Community Credit Union	The Cooperative Bank
Dedham Institution for Savings	The Savings Bank
Eagle Bank	Wellesley Bank
East Cambridge Savings Bank	Winchester Co-operative Bank
Eastern Bank	Winchester Savings Bank
Equitable Bank	

MCBC's 2015 Community Partners include ACCION, City of Boston through Boston Redevelopment Authority, Community Teamwork, Inc., Dudley Square Main Streets, ESAC, Fair Housing Center of Greater Boston, Family Independence Initiative, Interise, Massachusetts Affordable Housing Alliance, the Massachusetts Association of CDCs, Massachusetts Housing Partnership, Metropolitan Boston Housing Partnership, Somerville Community Corporation, South Eastern Economic Development (SEED) Corporation, and The Neighborhood Developers.



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## EXECUTIVE SUMMARY

The CRA data for the year ended December 31, 2014 shows that small business lending in Massachusetts increased at a moderate pace from 2013 to 2014, the fourth consecutive year of moderate growth although lending levels remain well below the levels achieved prior to the recent financial crisis. Other more current data sources, including quarterly Call Report data through June 30, 2015, which includes local community banks that are not included in the CRA database, and data compiled by the SBA through September 30, 2015, also showed continued increases in small business lending across the state including in some cases increases to levels above the highs achieved prior to the financial crisis. A review of some of the current economic conditions that influence small business lending shows that the economic climate in Massachusetts and across the country has continued to improve.

This report is the 17<sup>th</sup> report on small business lending commissioned by the Massachusetts Community & Banking Council (MCBC). The report reviews recent small business lending trends in Massachusetts with an emphasis on traditionally underserved areas across the state. The report also reviews changes in economic conditions and other factors that affect small business lending. The report primarily utilizes two sources of small business lending data: annual data collected under the Community Reinvestment Act (CRA) and quarterly Call Report data. A more detailed discussion of the sources of data is provided in the section entitled Data Sources at the end of this report, and additional detailed data on small business lending trends in Massachusetts is available in the online appendix at [www.mcbc.info](http://www.mcbc.info).

This report includes new topics not covered in previous editions of the report including sections on state rankings, business ownership by race and immigrant status, small business lending in communities with large immigrant populations, and small business lending in Massachusetts Gateway Cities and Economic Target Areas which represent priority economic development areas designated by the Commonwealth and local municipalities.

The following are some of the report's most important findings:

### LOAN VOLUME

- **The annual CRA data shows that small business lending volume in Massachusetts increased modestly in 2014 in terms of both the number and dollar amount of loans.** The volume of CRA-reported small business loan originations in Massachusetts totaled 118,950 loans for \$4.5 billion in 2014, compared to the previous year totals of 107,428 loans for \$4.3 billion. The 2014 increase represents the fourth consecutive annual increase in loan dollars although loan volume remains below the levels achieved prior to the recent financial crisis. On a percentage basis, the CRA data showed a 10.7% increase in the number of small business loans and a 5.5% increase in the dollar amount of loans.
- **The most recent quarterly Call Report data, which includes local community banks that are not included in the annual CRA database, also shows large increases in both the number and dollar volume of small business loans at Massachusetts banks and thrift institutions over the past year.** The volume of small business loans on the books of local community banks totaled 85,884 loans for \$11.6 billion as of June 30, 2015, compared to 70,624 loans for \$10.6 billion as of June 30, 2014. On a percentage basis, the Call Report data showed a 21.6% increase in the number of small business loans and a 9.7% increase in the dollar amount of loans.
- **According to the US Small Business Administration, loans guaranteed by the SBA also expanded strongly in Massachusetts during the twelve months ended September 30, 2015 raising the agency's lending volume to records levels.** SBA loans in Massachusetts totaled \$474.5 million during the most recent fiscal year which represents a 12.0% increase compared to the previous year. On a national basis, SBA lending increased by 19.2% to \$27.9 billion.

- **Credit unions in Massachusetts reported 6,169 small business loans for \$1.7 billion as of June 30, 2015, compared to 5,675 loans for \$1.5 billion as of June 30, 2014.** Member business loans at local credit unions increased by 8.7% and 14.1% in terms of the number and dollar amount of small business loans during the twelve months ended June 30, 2015.
- **When compared to other states, the national CRA data shows that Massachusetts experienced larger overall percentage increases in the number and dollar amount of loans than most states in 2014.** Massachusetts, which has the 14<sup>th</sup> largest state population in the country, ranked 9<sup>th</sup> in terms of the largest percentage change in small business loan dollars from 2013 to 2014 and 19<sup>th</sup> in terms of the percentage change in the number of loans.

## **LENDERS**

- **The CRA data shows that local CRA reporters originated a total of 24,500 small business loans for \$3.2 billion in 2014 which represented 20.6% of the total number of small business loans in Massachusetts and 70.3% of small business loan dollars.** The 2014 results represented the fourth consecutive year of increases in both the number and dollar amount of loans for local CRA reporters.
- **Local CRA reporters have significantly increased their share of the Massachusetts small business loan market in the wake of the recent financial crisis.** In 2014 local CRA reporters accounted for 70.3% of small business loan dollars in the state compared to 57.9% in 2007.
- **A closer examination of the data of local CRA reporters shows that the local community banks in Massachusetts were outperformed in 2014 by large commercial banks that operate in the state in terms of small business lending, which represents a departure from the trend over the past few years.** In 2014, local community banks accounted for 47.4% of small business loan dollars in Massachusetts in 2014 compared to 48.7% in the previous year, while the large commercial banks with branches in the state accounted for 26.8% of the total compared to 23.4% in the previous year.
- **The average size of a CRA-reported small business loan at a local community bank declined in 2014 for the first time in four years, while the average size of a loan at a large commercial bank with branches in the state declined for the fifth straight year.** The average size of a small business loan at local community banks dipped from \$194,325 in 2013 to \$190,840 in 2014 although the average loan size remains well above the levels preceding the recent financial crisis.
- **Credit card lenders reported an estimated 82,975 small business credit card loans in Massachusetts in 2014 for \$677.6 million, which represents a relatively large increase compared to the previous year but still well below the levels generated in the years leading up to the recent financial crisis.** Small business credit card loans accounted for 69.8% of the total number of CRA-reported small business loans in the state in 2014 and 15.1% of loan dollars.
- **Other out-of-state CRA lenders reported 11,475 CRA-reported small business loans in Massachusetts in 2014 for \$659.3 million, which exceeds the levels reached before the recent financial crisis.** Small business loans by other out-of-state CRA lenders accounted for 9.6% of the total number of CRA-reported small business loans in the state in 2014 and 14.6% of loan dollars.

## **LENDING IN TRADITIONALLY UNDERSERVED AREAS**

- **Businesses in low and moderate income census tracts in Massachusetts received a total of 23,352 small business loans in 2014 for \$949.3 million, which represents an increase in terms of the number of loans compared to the previous year but a decrease in terms of the dollar amount of loans.** While small business loan dollars in low and moderate income census tracts

have increased moderately over the past several years, they remain well below the highs achieved in 2007 prior to the recent financial crisis.

- **Local CRA lenders continued to account for the vast majority of small business loan dollars in low and moderate income census tracts in Massachusetts in 2014.** Local CRA lenders made a total of 5,088 loans for \$694.7 million in 2014, which accounted for 73.2% of the small business loan dollars in lower income areas in the state.
- **Low and moderate income areas in Massachusetts experienced relatively small declines in small business loan dollars in 2014, while middle and upper income areas experienced increases.** Low and moderate income census tracts in Massachusetts experienced overall declines of 3.5% and 0.4% in small business loan dollars from 2013 to 2014 while middle and upper income census tracts experienced increases of 3.2% and 12.6%.
- **Low and moderate income census tracts in Massachusetts continued to receive a somewhat smaller share of small business loans in 2014 than one might expect given the local demographics.** Low and moderate income census tracts, which account for 27.2% of the total population of Massachusetts, received 19.6% of the total number of CRA-reported small business loans in the state in 2014 and 21.1% of the total loan dollars.
- **The lowest lending rates in Massachusetts, measured in the amount of loan dollars per 100 firms, were recorded in upper income communities in 2014 for the third consecutive year although the lending rates between income groups fell within a relatively narrow range of values.** Low and moderate income census tracts received an aggregate \$792,000 and \$779,000 per 100 businesses respectively, while middle and upper income census tracts in Massachusetts received an aggregate \$792,000 and \$762,000 per 100 businesses. The 2014 results represent the third time in the past seven years when the lowest overall lending rates were not in low or moderate income census tracts.
- **When compared to other states, the national CRA data shows that Massachusetts experienced smaller percentage increases in the number and dollar amount of loans in low and moderate income areas than many states in 2014.** Massachusetts, which has the 15<sup>th</sup> largest population in the country living in low and moderate income areas, ranked 29<sup>th</sup> in terms of the largest percentage increase in loan dollars from 2013 to 2014 and 23<sup>rd</sup> in terms of the percentage change in the number of loans.
- **When race is also taken into account, the CRA data shows that the lowest lending rates in Massachusetts were recorded in high minority communities in 2014 in contrast the previous year when the lowest lending rates were in white communities.** High minority census tracts in lower income areas in Massachusetts received \$706,000 per 100 businesses while high minority census tracts in middle and upper income areas in Massachusetts, which account for just a handful of census tracts, received \$649,000 per 100 businesses. In comparison, lower income white communities received an average \$740,000 per 100 businesses while middle and upper income white communities received \$775,000. Lower income minority neighborhoods in Massachusetts have experienced lower lending rates than lower income white neighborhoods in seven of the past eight years.
- **The overall dollar volume of small business loans in communities in Massachusetts with the largest immigrant populations has recovered from the lows reached in the aftermath of the recent financial crisis but remains well below recent highs.** Businesses in communities where the foreign-born population is 40% or more of the local population, which includes neighborhoods in just over a dozen towns around the greater Boston area, received 2,903 small business loans for \$120.8 million in 2014, compared to the previous year when such communities received 2,557 loans for \$119.0 million.

## **GEOGRAPHIC COMPARISONS**

- Nine of the 14 counties in Massachusetts experienced increases in CRA-reported small business lending volume in 2014. On a percentage basis, the changes in small business loan dollars ranged from a 22.4% increase in Essex County to a 31.7% decrease in Berkshire County. In terms of dollar amounts, the counties with the largest increases in loan dollars occurred in Essex, Middlesex, and Worcester Counties, while the counties with the largest decreases occurred in Berkshire, Hampden, and Hampshire Counties.
- The city of Boston, which accounts for 9.4% of the state's population, received \$488.9 million in CRA-reported small business dollars in 2014 and accounted for 11.8% of the total loan dollars, while the cities of Worcester and Springfield, which account for 2.8% and 2.3% of the state's population respectively, received 1.6% and 1.5% of the total loan dollars in the state.

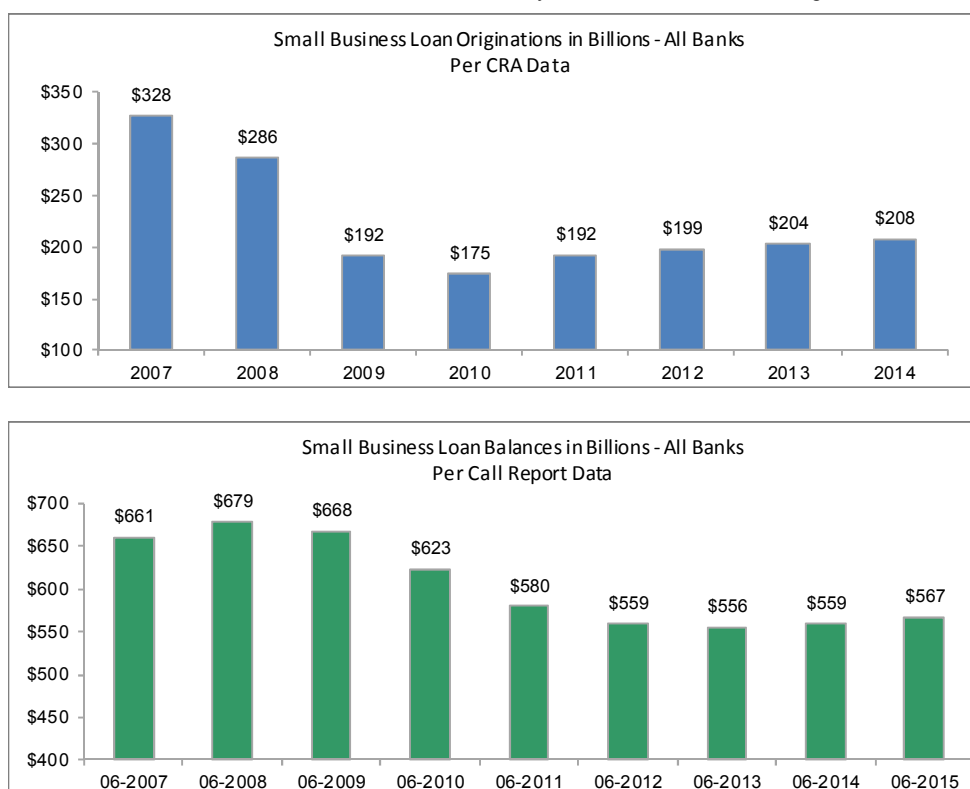
# INTRODUCTION

This report is the 17<sup>th</sup> report on small business lending patterns commissioned by the Massachusetts Community & Banking Council (MCBC). The report reviews recent small business lending trends in Massachusetts with an emphasis on traditionally underserved areas across the state. The report also reviews changes in economic conditions and other factors that affect small business lending. The first section of the report focuses on overall small business lending trends in Massachusetts, and examines changes in loan volume, differences between types of lenders, and changes in the business lending climate. The second section focuses on small business lending patterns in lower income and traditionally underserved areas across the state.

This report includes new topics not covered in previous editions of the report including sections on state rankings, business ownership by race and immigrant status, small business lending in communities with large immigrant populations, and small business lending in Massachusetts Economic Target Areas and Economic Opportunity Areas which are priority economic development areas designated by the Commonwealth and local municipalities respectively.

The vital role that small businesses play in our economy, and the critical relationship between access to credit and economic recovery, are clear. Most businesses – both large or small – use some form of bank financing or other type of credit on a regular basis to sustain and grow their business operations. Since larger businesses generally have a greater capacity to weather economic downturns as well as more options when it comes to funding their operations, reliable access to credit plays a particularly critical role for small businesses. The recent financial crisis and the subsequent economic downturn signaled an end to the days of relatively easy money that characterized the mortgage, consumer, and small business credit markets several years ago. While many economic indicators have improved, the pace of the recovery has been slow, and a review of national small business lending data shows that small business loan originations and balances remain well below recent historical highs.

CHART: Small business loans at banks across the country remain well below recent highs



This report utilizes two sources of small business lending data: annual data collected under the Community Reinvestment Act (CRA) and quarterly Call Report data. For the purposes of both the CRA and Call Report reporting requirements, small business loans are defined as business loans and commercial real estate loans with original amounts of \$1 million or less. While there are important differences between the two sources, each offers an important perspective on small business lending trends. The chief advantage of the annual CRA data, which covers primarily the largest banks in the country as well as a collection of smaller lenders, is that it includes information about the geographic location of the loan which makes it possible to analyze lending trends in traditionally underserved areas and to analyze the local data of lenders that are not headquartered in Massachusetts. The chief advantage of Call Report data, which covers all insured banks across the country, is that it is representative of all banks regardless of asset size and is available on a quarterly rather than annual basis. Additional information on the data used in this report can be found in the section on Data Sources.

The use of Call Report data was incorporated in this report in response to a 2011 study of small business lending in Massachusetts undertaken by the Massachusetts Bankers Association (Mass Bankers). Their study, which utilized both annual CRA data and quarterly Call Report data, found that local community banks in Massachusetts, which are better represented in the quarterly Call Report data, experienced a modest increase in small business lending activity over the past few years while large commercial banks and out-of-state lenders that do business in the state, which are better represented in the annual CRA data, experienced substantial declines. The Mass Bankers study confirmed the importance of utilizing both sources of data.

In addition to the annual CRA data and quarterly Call Report data, this report also utilizes credit union lending data and data compiled by the US Small Business Administration (SBA), demographic data compiled by the US Census Bureau, economic data compiled by the Bureau of Labor Statistics, and business demographic data compiled by Dunn & Bradstreet.

The primary goal of this report is to contribute to improved credit flows to small businesses across Massachusetts, particularly in traditionally underserved areas, by presenting a careful *description* of small business lending trends that all interested parties can agree is fair and accurate. It is beyond the scope of this report to offer either an *explanation* of why the observed outcomes have occurred or an *evaluation* of how well lenders have performed. Rather, this report's descriptive contribution is intended to be one input to the complex, on-going tasks of explanation and evaluation.

# **SECTION I**

**SMALL BUSINESS LENDING IN MASSACHUSETTS:**

**A STATEWIDE REVIEW**



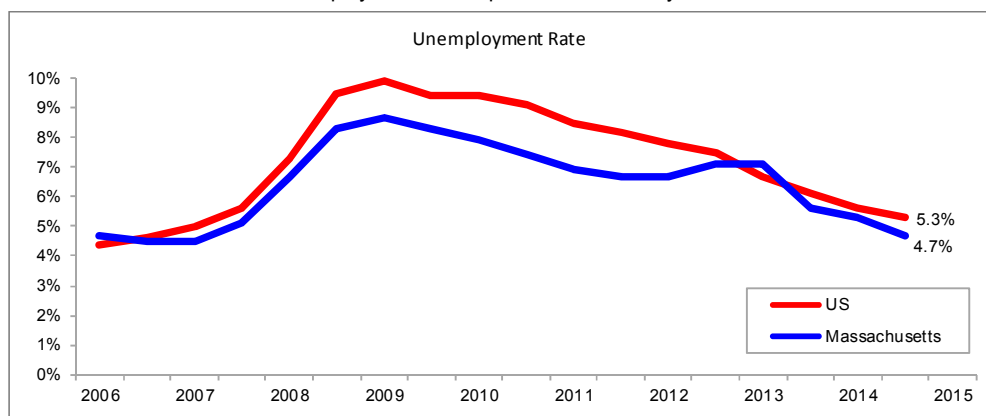
## CURRENT ECONOMIC CONDITIONS

A review of some of the current economic conditions that influence small business lending shows that the economic climate in Massachusetts and across the country has improved and many observers expect the improvement to continue. The following summary incorporates the most current economic data available across various sectors of the economy. Readers may notice a difference in the dates used for the economic factors reviewed here, with some dates being more current than others due to the differences in the timing and frequency of the sources of data used in the report.

### Employment

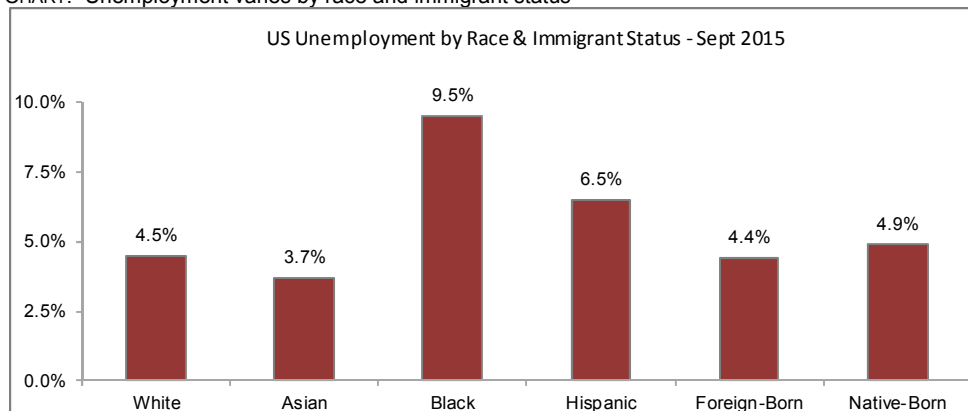
In terms of employment, job growth in Massachusetts continued to improve through 2015 and has outpaced the rest of the nation for the past two years. The state overall unemployment rate declined from 5.6% as of September 2014 to 4.7% as of September 2015, while the national unemployment rate declined from 6.1% to 5.3%.

CHART: The Massachusetts unemployment rate improved substantially from 2013 to 2014



While the overall unemployment rate has improved, a review of the national labor data shows that the jobless rates for Blacks and Hispanics substantially exceed the rates for other population groups. The data shows that the Black unemployment rate is more than twice the unemployment rate for Whites while the Hispanic unemployment rate is nearly 50% higher. The data also shows that Asians have a lower unemployment rate than Whites while foreign-born residents, have a lower unemployment rate than native-born residents. One of the factors that is widely viewed as a major influence on employment is educational attainment. The national census data shows a substantially larger percentage of Asians (60%) and Whites (38%) have college degrees compared to Blacks (27%) and Hispanics (19%). A slightly larger percentage of native-born residents (30%) have college degrees compared to foreign-born residents (29%).

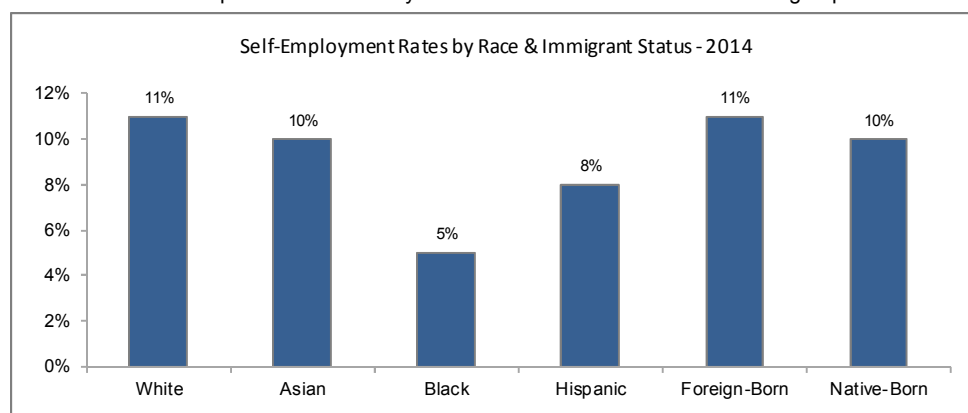
CHART: Unemployment varies by race and immigrant status



### **Business Ownership by Race & Immigrant Status**

The most recent Current Population Survey (CPS) prepared by the Bureau of Labor Statistics and the Census Bureau shows that roughly 10% of the US population is self-employed, which is a primary indicator of business ownership, although there are substantial differences in self-employment rates related to race and immigrant status. Self-employed persons, which includes business owners with employees as well as sole proprietorships, account for an estimated 30% of the national work force. According the Pew Research Center, which conducted a review of the 2014 CPS data, roughly 11% of Whites and 10% of Asians operate their own businesses compared to 5% of Blacks and 8% of Hispanics. Immigrants are also more likely than native-born residents to operate their own business (11% vs 10%).

CHART: Blacks and Hispanics are less likely to run than own businesses than other groups



A review of the Census Bureau's 2012 Survey of Businesses shows that there are 90,515 minority-owned businesses in Massachusetts, including 34,230 Asian-owned businesses, 23,188 Black-owned businesses, and 30,158 Hispanic-owned businesses. The data also shows that there are 200,326 women-owned businesses, 58,970 veteran-owned businesses, and 50,778 immigrant-owned businesses in Massachusetts. Minority-owned businesses account for 15.1% of all private businesses in Massachusetts while women-owned businesses account for 33.4% of businesses while veteran-owned businesses account for 9.8% of the total and immigrant-owned businesses account for 8.5%. According to the survey results, minority-owned businesses increased by 39.3% in Massachusetts from 2007 to 2012, with most of the growth involving Hispanic-owned businesses and Asian-owned businesses, while the number of white-owned businesses declined slightly. The Massachusetts results were generally similar the national results although black-owned and Hispanic-owned businesses account for a smaller percentage of total privately-held businesses in Massachusetts compared to the nation as a whole and the change in the number of these businesses in Massachusetts from 2007 to 2012 also diverged from national averages.

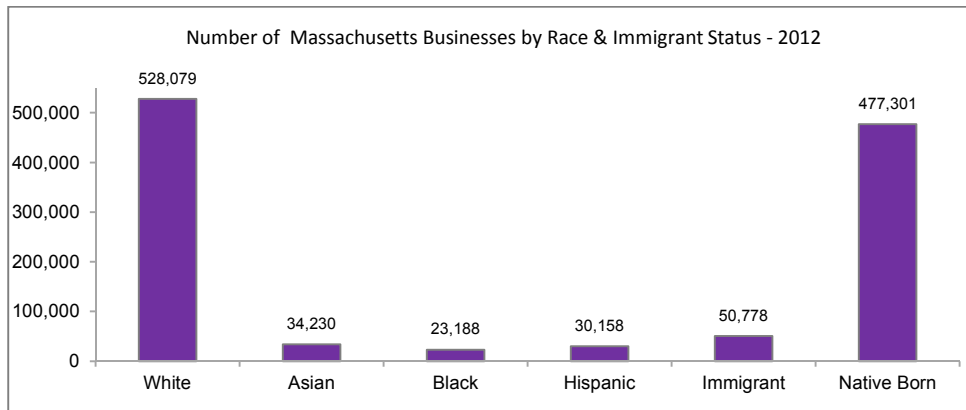
TABLE : Results from the 2012 Survey of Businesses

Type of Business	Massachusetts Totals			US Totals		
	Number of Businesses 2012	% of Total	% Change 2007 to 2012	Number of Businesses 2012	% of Total	% Change
Minority-Owned	90,515	15.1%	39.3%	7,996,226	29.2%	38.8%
Asian	34,230	5.7%	28.8%	1,937,368	7.1%	25.0%
Black	23,188	3.9%	12.9%	2,593,168	9.5%	34.9%
Hispanic	30,158	5.0%	55.4%	3,320,563	12.1%	46.9%
Women-Owned	200,326	33.4%	12.5%	9,932,434	36.2%	27.5%
Veteran-Owned	58,970	9.8%	10.6%	2,540,706	9.3%	3.8%
Immigrant-Owned	50,778	8.5%	N/A	2,434,607	8.9%	N/A
White-Owned	528,079	88.1%	-0.2%	21,748,125	79.3%	-3.7%
Total Privately-Held Businesses	599,279	--	28.8%	27,422,714	--	25.0%

Note: Data is from the Census Bureau's 2012 Survey of Businesses except immigrant-business data is from The Partnership For a New American Economy

The expansion of minority-owned, women-owned, veteran-owned, and immigrant-owned businesses in Massachusetts in recent years reveals the vital role that these entrepreneurs play in starting new businesses and in supporting the “main street” economy of local communities. A study undertaken by the Commerce Department’s Minority Business Development Agency confirms that the growth of minority-owned firms has significantly outpaced the growth of nonminority-owned firms across the country. The role of foreign-born business owners is also detailed in a number of studies including a study by The Partnership For a New American Economy which shows that immigrants are more than twice as likely to start a new business compared to native-born citizens and were responsible for 28% of small businesses created during the period reviewed by the study. Other research suggests that, in many communities throughout Massachusetts and across the country, immigrant business owners operate the majority of certain types of businesses such as gas stations, dry cleaners, convenience stores, and nail salons.

CHART: Distribution of Massachusetts businesses by race and immigrant status

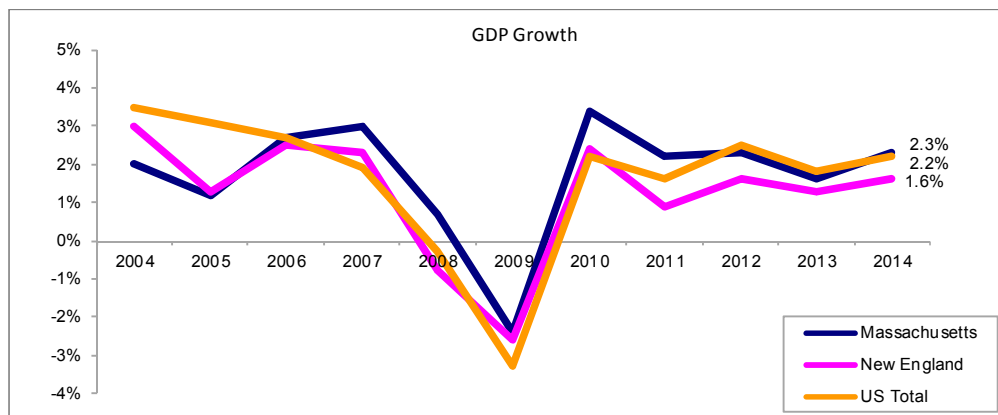


Note: Data is from the Census Bureau's 2012 Survey of Businesses except immigrant-business data is from The Partnership For a New American Economy

### **GDP Growth**

In terms of productivity, real GDP growth in Massachusetts and the country also improved in 2014 compared to the previous year. The Massachusetts economy grew at a modest pace of 2.3% in 2014 compared to 1.6% during the previous year, while the national GDP figures grew 2.2% in 2014 compared to 1.8% in the previous year.

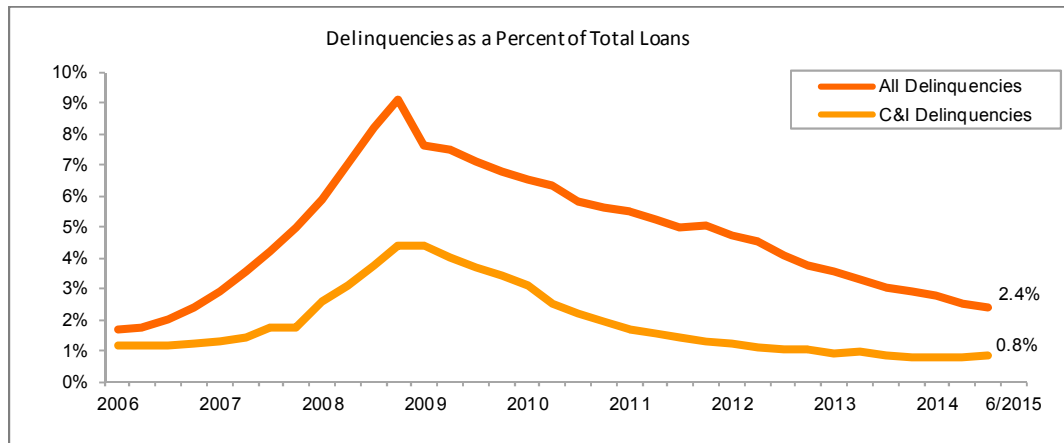
CHART: Massachusetts and national GDP growth improved slightly in 2014



## Asset Quality

In terms of asset quality, loan delinquencies have continued to improve and are nearly in line with historic levels. According to the quarterly Call Report data, the overall delinquency rate at banks nationwide, which includes all delinquent commercial loans, mortgage loans, and consumer loans, declined to 2.4% of total loans as of June 30, 2015, which represents a substantial improvement over the highs reached in 2008. While the data does not allow us to identify the delinquency rate for small business loans, it is likely that the rate for these loans mirrors the delinquency rate for commercial and industrial (C&I) loans which declined below 1% as of June 30, 2015 and below historic levels.

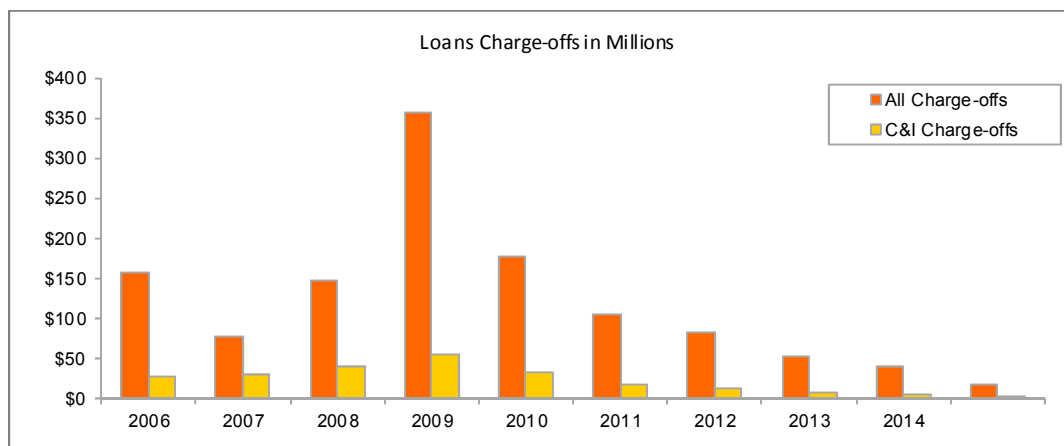
CHART: Loans delinquencies at US banks have steadily improved over the past five years



NOTE: Delinquent loans includes loans 30 days or more past due and still accruing interest as well as nonaccruals

Loan charge-offs at banks have also continued to decline and have returned to historic levels. According to the quarterly Call Report data, banks reported overall net loan charge-offs of \$18.0 million, for the first six months of 2015 which is less than half as much as was charged off during the prior full year. C&I charge-offs at banks totaled \$3.1 million through June 30, 2015, which is also less than half as much as was charged off during the prior full year. While asset quality at banks has steadily improved in recent years, the dramatic rise in charge-offs and delinquencies at the beginning of the recent financial crisis contributed to the greatest number of bank failures across the country since the savings and loan crisis of the 1980s, including the failure of 140 banks in 2009, 157 banks in 2010, 92 banks in 2011, 51 banks in 2012, 24 banks in 2013, and 18 banks in 2014, and 5 banks through the first half of 2015. The high level of nonperforming loans in recent years has also weighed heavily on bank profits and capital reserves and has discouraged the easing of underwriting standards.

CHART: Loans charge-offs at banks have also declined significantly since their recent peak

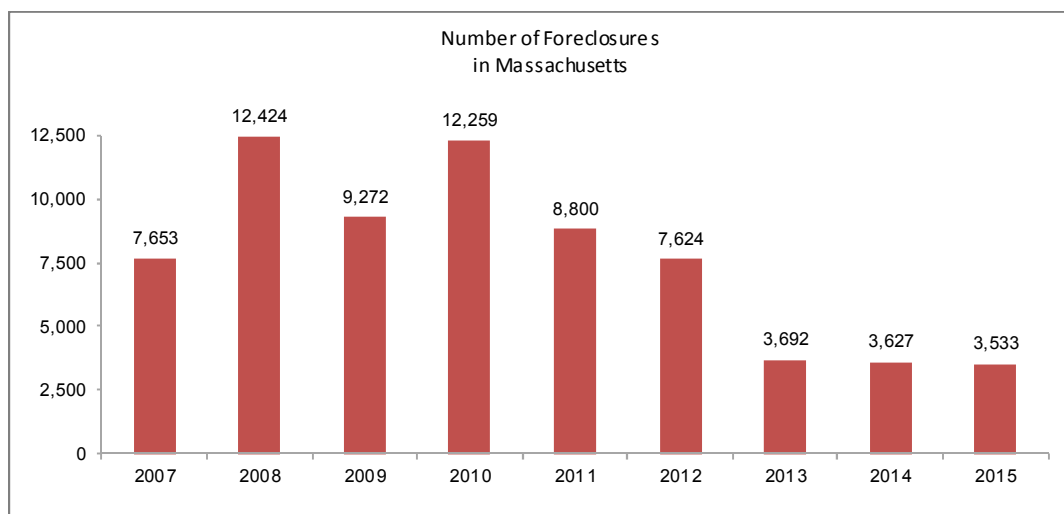
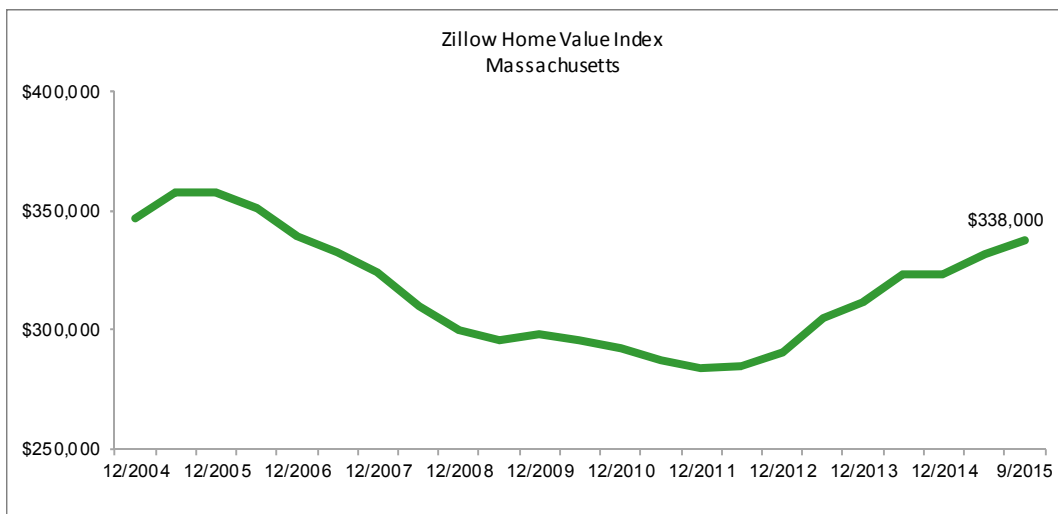


## **Real Estate Values**

In terms of real estate values, data compiled by Zillow, an online resource for real estate listings and real estate statistics, shows that home values in Massachusetts have trended up over the past four years but remain slightly below the levels reached prior to the recent financial crisis. In addition, while foreclosure activity continued to decline in 2015, The Warren Group, which monitors foreclosure activity, has tracked an increase for the second straight year in petitions to foreclose in Massachusetts, the first step in the foreclosure process. According to their analysis, lenders filed 9,633 petitions to foreclose during the ten months of 2015 which represents a 50.9% increase compared to the same period in the previous year. The recent jump in foreclosure petitions appears to be related to the recent implementation of new legislation in Massachusetts which addressed certain legal uncertainties in the foreclosure process.

Continued improvement in home values would bode well for homeowners and business owners alike as home equity has historically been a reliable source of discretionary spending and business credit both of which ultimately benefit all participants in the economy. The viability of many small businesses in Massachusetts and across the country depends to a large extent on continued stabilization and improvement in home values.

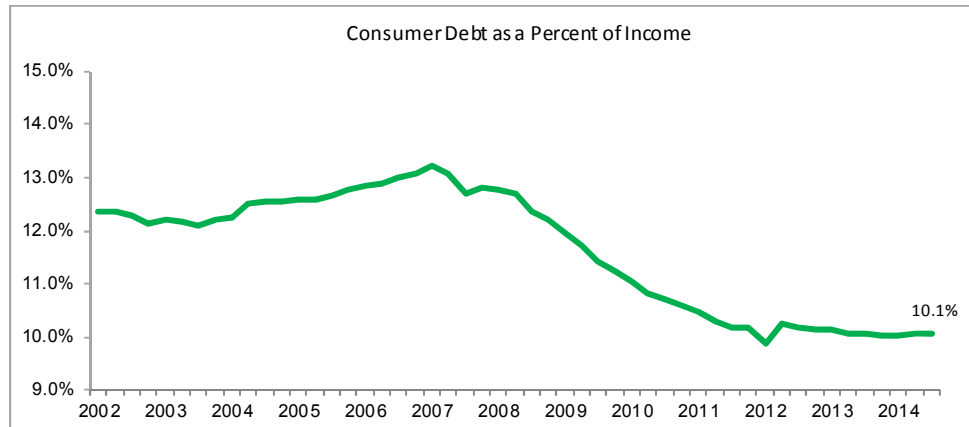
CHARTS: Home prices in Massachusetts have trended up over the past four years while foreclosures have declined



## **Consumer Debt**

While the attractiveness of low interest rates has persuaded large numbers of consumers and business owners to refinance their homes or take on new business credit in recent years, they have not yet proved sufficient to absorb the oversupply of foreclosed homes or to stimulate robust loan demand and loan growth. In fact, consumers have continued to shed debt in the existing low interest rate environment, and consumer debt as a percent of income remains substantially lower now than it was 10 years ago when the country was emerging from its previous major recession.

CHART: Consumer debt has trended down since the recent financial crisis



The reasons behind the decline in consumer debt are likely related to job uncertainty and lack of confidence in the economic outlook. For businesses, many of which have similarly reduced the debt on their balance sheets over the past several years, the reasons appear to be related in part to poor sales, declining collateral values, and the desire to de-leverage during a period of economic uncertainty.

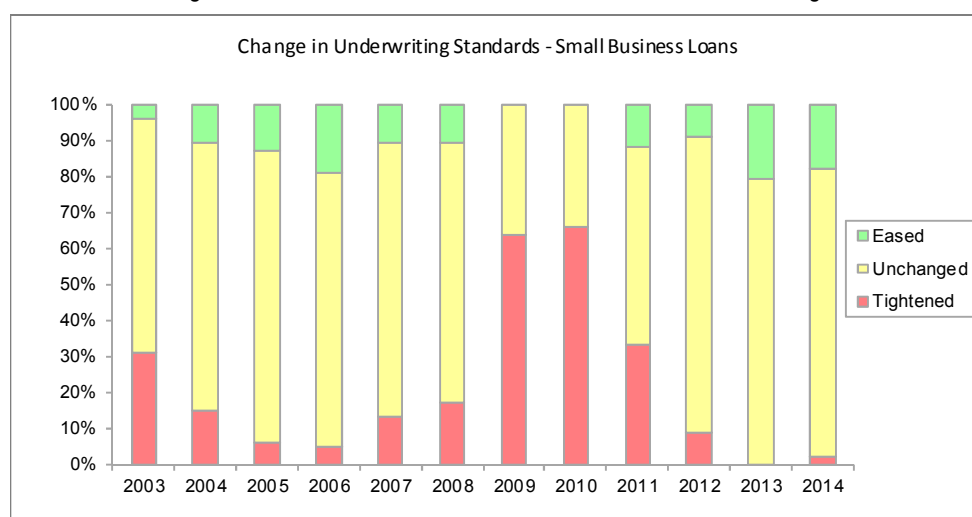
According to a 2011 study undertaken by Mass Bankers, one of the key factors contributing to the decline in small business lending in the years immediately following the financial crisis was a decline in the effective demand for small business loans, which is a measure that combines the desire for a loan with the resources, or credit worthiness, to obtain it. The Mass Bankers study pointed to the effects of the recent recession on sales and business expansion plans as well as the rise in business loan delinquencies and the decline in business collateral values of many small businesses as factors that reduced both credit demand and credit worthiness in the years immediately following the recent financial crisis.

## Underwriting Standards

While it is reasonable to link poor economic conditions with a decline in the demand for credit, it is also important to consider the extent to which changes in underwriting standards affect the supply of credit.

According to the OCC's Survey on Credit Underwriting Practices, a significant number of banks began to ease underwriting standards in 2014 after substantially ratcheting up underwriting standards in response to the recent financial crisis. Roughly 18% of respondents reported that they had eased standards in 2014 and just 2% of the respondents tightened standards. While the 2014 survey results could indicate a willingness on the part of some banks to take on more risk, it is worth noting that tightened underwriting standards that were put in place a few years ago continue to remain in place at many lenders. According to the OCC survey, increased competition, economic outlook, and market strategy were the primary reasons given by respondents that eased underwriting standards, while competition, risk appetite, and regulatory policies were the primary reasons given by respondents that tightened underwriting standards. A link to the OCC survey is provided in the Data Source section of this report.

CHART: Underwriting standards for small business loans underwent incremental changes in 2014

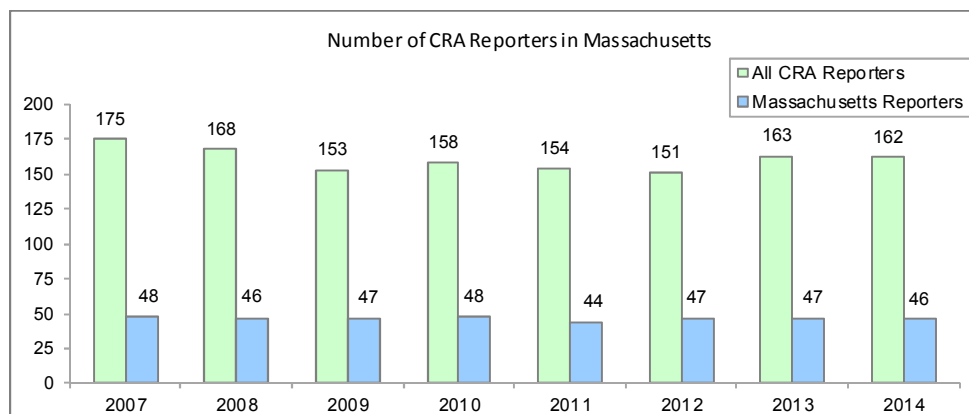


## CRA DATA AND CALL REPORT DATA

As noted in the introduction, this report utilizes two sources of small business loan data, namely annual CRA data and quarterly Call Report data. While both sources utilize the same definitions for small business loans, the two sources have important differences including the number of institutions that are required to report, the frequency of reporting, and the fact that annual CRA data focuses on small business loan *originations* while quarterly Call Report data focuses on small business loan *balances* at the end of a given period. The differences between the two data sources are discussed in more detail in the Data Sources section of this report.

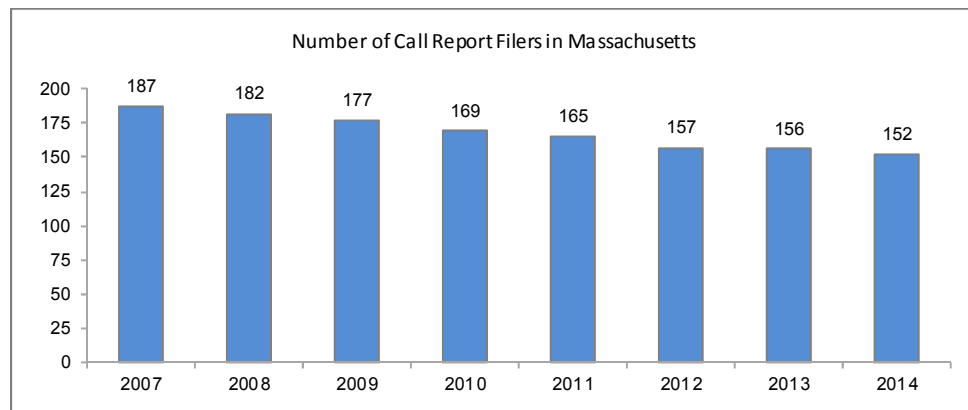
The number of lenders in both the annual CRA database and the Call Report database varies from period to period. A review of the CRA database shows that 162 lenders reported small business loan activity in Massachusetts in 2014 compared to 163 lenders in the previous year. Of that total, 46 were local lenders, which includes lenders that are headquartered in Massachusetts as well as lenders that have a substantial branch presence in the state, compared to 47 local lenders in the previous year. On a national basis, there were a total of 767 lenders included in the 2014 CRA database compared to 791 lenders in the previous year.

CHART: The number of lenders that reported small business loan originations in Massachusetts has fluctuated in recent years



A review of the Call Report database shows that the number of bank and thrift institutions headquartered in Massachusetts declined from 156 at the end of 2013 to 152 at the end of 2014. On a national basis the total number of banks declined from 6,877 at the end of 2013 to 6,570 at the end of 2014.

CHART: A review of the Call Report database shows that the number of banks and thrifts headquartered in Massachusetts has declined in recent years





## SMALL BUSINESS LOAN VOLUME

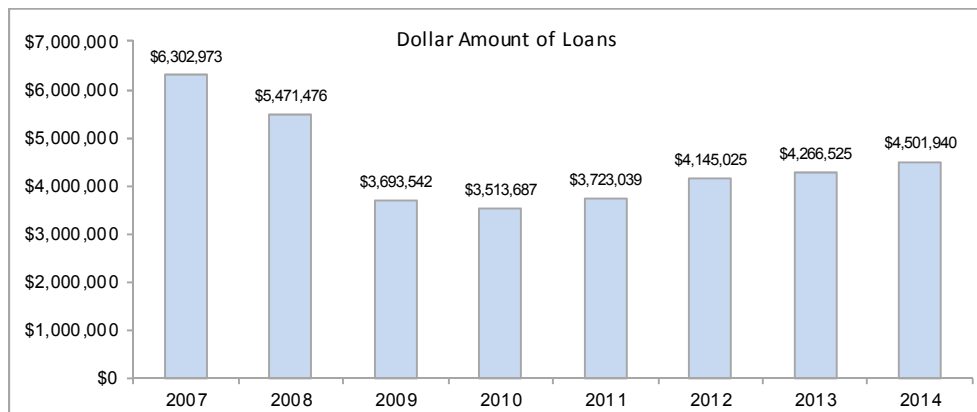
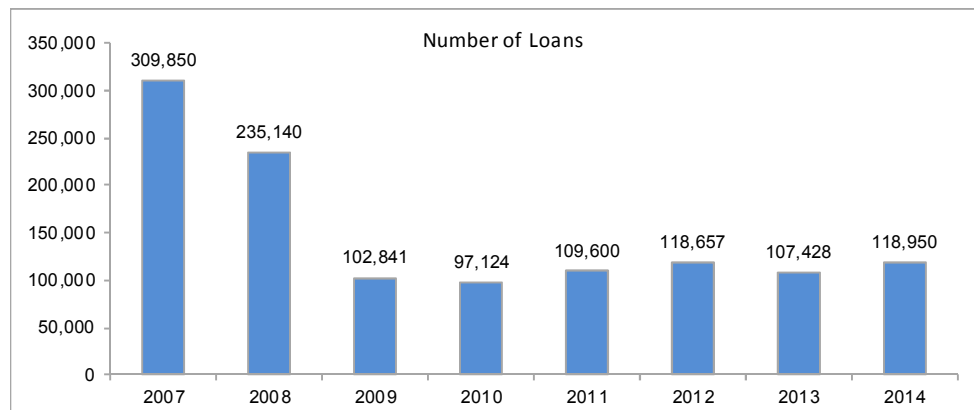
The annual CRA data, which primarily reflects the small business loan activity of the nation's largest lenders, shows that small business lending volume in Massachusetts increased modestly in 2014 in terms of both the number and dollar amount of loans in 2014. The 2014 results represent the fourth consecutive increase in loan dollars although overall loan volume remains well below the levels achieved prior to the recent financial crisis.

The volume of CRA-reported small business loan originations in Massachusetts in 2014 totaled 118,950 loans for \$4.5 billion, compared to the previous year totals of 107,428 loans for \$4.3 billion. Local CRA reporters, which are discussed in greater detail in a later section, accounted for a substantial portion of the dollar volume of CRA-reported activity in 2014.

It is important to note that the reported CRA small business loan volume is influenced to some extent by both the reporting requirements associated with the CRA law as well as the effects of mergers and acquisitions. In 2014, there were three local community banks with assets below the CRA reporting threshold that did not file CRA data in 2014 as well as two local community banks, each with reported assets above the CRA threshold, that reported CRA data for the first time. These structural changes are worth noting although their net effect is relatively small. For example, the two new CRA reporters accounted for approximately one percent of the CRA reported loan volume in 2014.

A majority of local CRA-reporters (25 out of 44) that filed CRA submissions for both 2013 and 2014 reported increases in the dollar volume of small business loans while 19 such lenders reported decreases.

CHARTS: Small business loan originations in Massachusetts per the annual CRA database

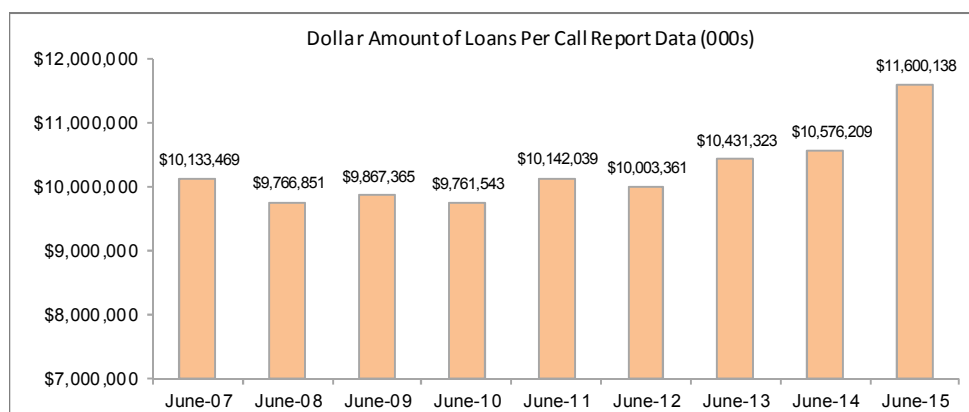
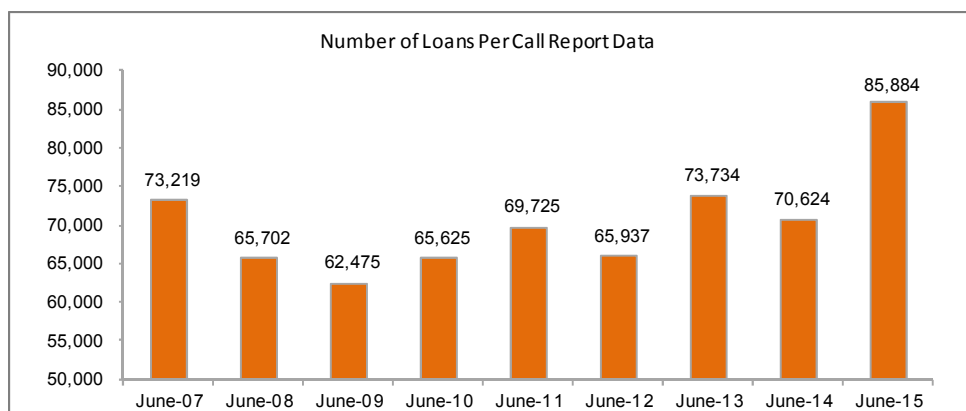


**The most recent quarterly Call Report data, which includes local community banks that are not included in the annual CRA database, also showed large increases in both the number and dollar volume of small business loans over the past year raising the Call Report balances of small business loans at Massachusetts banks to historic levels.** The volume of small business loans on the books of local community banks totaled 85,884 loans for \$11.6 billion as of June 30, 2015, compared to 70,624 loans for \$10.6 billion as of June 30, 2014.

As was the case with the annual CRA database, it is important to note that the small business loan volume associated with the Call Report database is also influenced by structural changes related to mergers and acquisitions. During the twelve months ended June 30, 2015, three local community banks were acquired by other local banks, one local bank was acquired by a bank headquartered in a neighboring state, and one local bank stopped filing Call Report data as a result of a charter conversion. As was the case with the CRA database, these structural changes are worth noting although their net effect was relatively small.

A majority of Massachusetts community banks (78 out of 133) that have small business loans on their books and that filed Call Reports for both Q2/2014 and Q2/2015 reported increases in the dollar volume of small business loans while 55 such lenders reported decreases.

CHARTS: Small business loans on the books of Massachusetts banks per the Call Report database

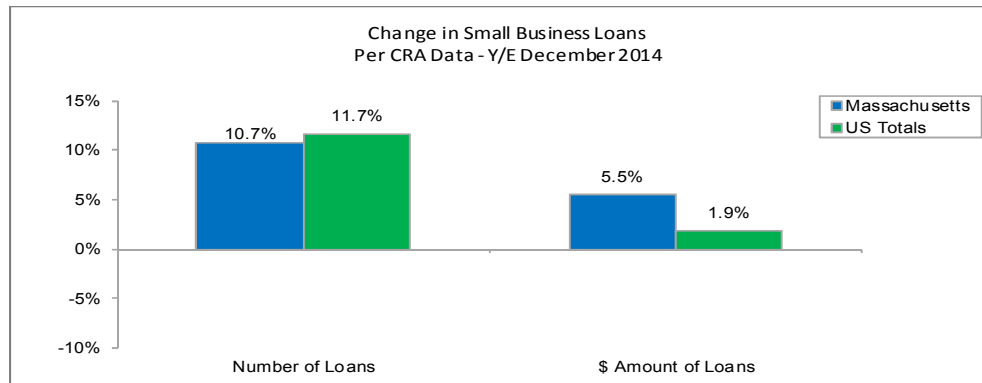


## SMALL BUSINESS LOAN GROWTH

A review of the key sources of small business lending data shows a similar pattern in small business lending growth over the past year in Massachusetts and across the country.

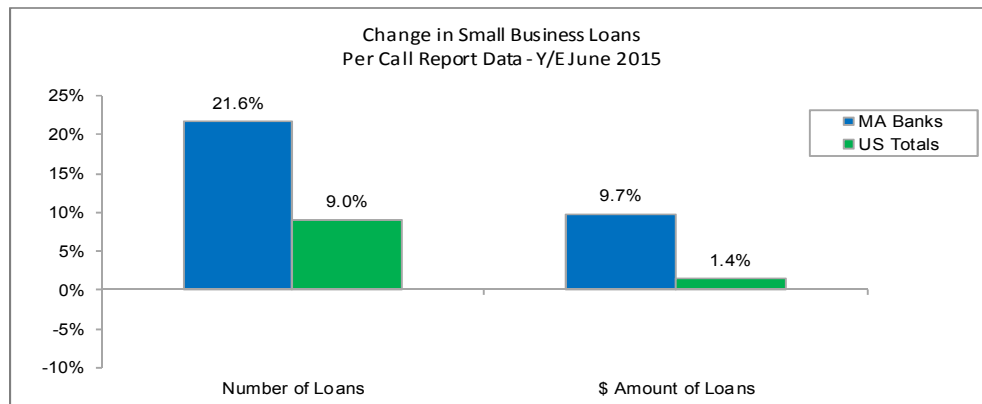
**A review of the most recent CRA data shows that small business loan originations in Massachusetts increased by 10.7% and 5.5% in 2014 in terms of the number and dollar amount of loans due in part to a large increase in small business credit card lending which outpaced more modest increases at locally-based lenders and other out-of-state lenders.** The Massachusetts results in 2014 were in line with the results for the country as a whole.

CHART: The annual CRA data shows that the changes in small business loan volume in Massachusetts were similar to the changes experienced in the country as a whole in 2014



A review of the quarterly Call Report data through June 30, 2015 shows that Massachusetts banks and thrifts experienced increases in the number and dollar amount of small business loans on the books of Massachusetts banks over the past year. **Small business loans on the books of local community banks increased by 21.6% in terms of the number of small business loans during the twelve months ended June 30, 2015 while increasing by 9.7% in terms of the dollar amount of loans.**

CHART: The Call Report data shows that small business lending growth at Massachusetts banks exceeded the national averages over the past year



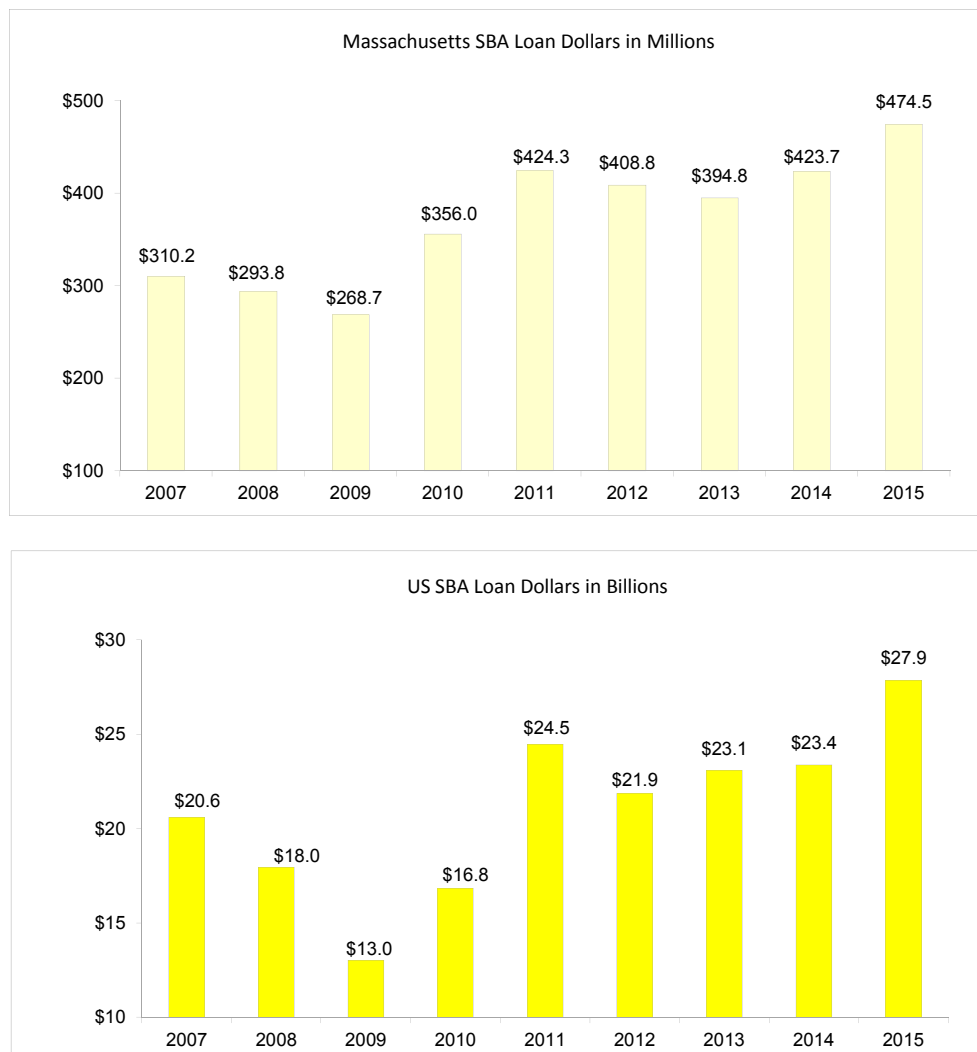
## **SBA LOANS**

According to the US Small Business Administration (SBA), loans guaranteed by the SBA also expanded strongly in Massachusetts during the agency's fiscal year ended September 30, 2015 raising the agency's lending volume to record levels. SBA loans in Massachusetts totaled \$474.5 million during the most recent fiscal year which represents a 12.0% increase compared to the previous year. On a national basis, SBA lending increased by 19.2% to \$27.9 billion.

The SBA's primary lending programs consists of the 7(a) loan guarantee program and the 504/certified development company loan program. The 7(a) loan program is designed to help start-up and existing small businesses with financing guaranteed for a variety of general business purposes. The SBA does not make the loans itself but rather guarantees loans made by participating lending institutions. The SBA's 504 loan program involves the participation of certified development companies, which are nonprofit corporations established to promote the economic development of their communities, together with participating lenders to provide growing businesses with financing for major fixed assets such as land, buildings, and equipment.

The SBA places an emphasis on lending to traditionally underserved businesses, such as those described as minority, women, and veteran-owned businesses. A review of the available SBA data regarding underserved businesses is included in Section 2 of this report.

CHARTS: SBA loan volume in Massachusetts and US from FY 2007 to 2015



## STATE RANKINGS – CRA DATA

When compared to other states, the national CRA data shows that Massachusetts experienced larger overall percentage increases in the number and dollar amount of loans than most states in 2014. Massachusetts, which has the 14<sup>th</sup> largest state population in the country, ranked 9<sup>th</sup> in terms of the largest percentage change in small business loan dollars from 2013 to 2014 and 19<sup>th</sup> in terms of the percentage change in the number of loans. The national CRA data also shows that 49 states experienced increases in the number of CRA-reported loans from 2013 to 2014 while 20 states experienced increases in the dollar amount of loans.

TABLE: CRA data by state sorted by total population (Year Ended December 2014)

	Number of Loans	Rank	% Change in Number of Loans	Rank	\$ Amount of Loans (000s)	Rank	% Change in \$ Amount of Loans	Rank	Total Population	Rank
California	856,041	1	14.8%	2	\$26,944,025	1	9.2%	4	37,253,956	1
Texas	430,852	2	14.6%	5	\$16,532,335	2	5.5%	10	25,145,561	2
New York	399,609	3	14.2%	6	\$12,642,878	3	5.6%	7	19,378,102	3
Florida	399,183	4	14.7%	3	\$11,270,404	4	4.0%	18	18,801,310	4
Illinois	204,799	5	13.6%	9	\$9,053,570	6	-1.1%	36	12,830,632	5
Pennsylvania	191,657	7	8.7%	33	\$9,387,709	5	2.3%	25	12,702,379	6
Ohio	153,710	9	9.0%	29	\$7,487,689	7	0.7%	29	11,536,504	7
Michigan	141,964	11	11.6%	14	\$7,110,133	8	-3.4%	44	9,883,640	8
Georgia	158,180	8	12.8%	12	\$6,117,849	11	4.9%	14	9,687,653	9
North Carolina	147,965	10	9.5%	27	\$6,807,681	10	-6.0%	47	9,535,483	10
New Jersey	202,389	6	11.9%	13	\$7,089,485	9	5.6%	8	8,791,894	11
Virginia	126,783	12	11.6%	15	\$5,124,279	12	-3.1%	43	8,001,024	12
Washington	122,571	14	8.7%	31	\$4,727,220	13	-0.1%	32	6,724,540	13
Massachusetts	118,950	15	10.7%	19	\$4,501,940	14	5.5%	9	6,547,629	14
Indiana	78,766	21	7.7%	38	\$4,194,307	16	-2.7%	42	6,483,802	15
Arizona	111,416	16	9.7%	26	\$3,429,623	22	3.8%	21	6,392,017	16
Tennessee	76,075	23	5.7%	46	\$3,653,560	19	-7.4%	49	6,346,105	17
Missouri	86,713	19	7.1%	41	\$3,867,131	17	-4.5%	46	5,988,927	18
Maryland	95,511	18	13.0%	10	\$3,596,004	20	2.5%	24	5,773,552	19
Wisconsin	84,061	20	5.0%	48	\$3,671,346	18	-13.8%	51	5,686,986	20
Minnesota	98,251	17	7.9%	36	\$3,328,448	23	-4.5%	45	5,303,925	21
Colorado	126,410	13	15.3%	1	\$4,362,191	15	3.9%	19	5,029,196	22
Alabama	58,376	27	1.9%	50	\$3,041,280	24	-12.2%	50	4,779,736	23
South Carolina	61,457	26	10.6%	21	\$2,782,852	25	-2.5%	41	4,625,364	24
Louisiana	70,749	24	9.9%	24	\$3,506,485	21	1.9%	26	4,533,372	25
Kentucky	50,268	30	10.9%	17	\$2,114,807	29	3.8%	20	4,339,367	26
Oregon	78,110	22	9.9%	25	\$2,738,206	26	-0.6%	33	3,831,074	27
Oklahoma	52,258	29	10.0%	23	\$2,365,239	27	6.1%	6	3,751,351	28
Connecticut	69,533	25	8.3%	35	\$2,341,747	28	0.2%	31	3,574,097	29
Iowa	39,207	32	8.7%	32	\$1,550,226	33	-2.5%	40	3,046,355	30
Mississippi	32,506	35	6.5%	44	\$1,692,941	32	5.5%	11	2,967,297	31
Arkansas	37,770	33	8.4%	34	\$1,754,088	31	4.9%	15	2,915,918	32
Kansas	35,823	34	6.9%	42	\$1,492,744	34	-1.6%	38	2,853,118	33
Utah	57,040	28	12.9%	11	\$1,878,078	30	4.1%	17	2,763,885	34
Nevada	49,234	31	13.6%	8	\$1,324,913	35	1.4%	27	2,700,551	35
New Mexico	25,414	38	8.8%	30	\$789,228	45	0.9%	28	2,059,179	36
West Virginia	17,519	43	7.8%	37	\$941,435	40	2.5%	23	1,852,994	37
Nebraska	29,005	37	5.9%	45	\$1,293,964	36	0.2%	30	1,826,341	38
Idaho	31,891	36	7.2%	39	\$1,270,833	37	-0.6%	34	1,567,582	39
Hawaii	24,773	39	9.1%	28	\$1,000,512	39	-0.9%	35	1,360,301	40
Maine	24,550	40	5.2%	47	\$1,197,772	38	2.7%	22	1,328,361	41
New Hampshire	23,649	42	11.2%	16	\$799,790	44	12.5%	3	1,316,470	42
Rhode Island	16,632	44	10.3%	22	\$759,378	46	16.3%	2	1,052,567	43
Montana	24,497	41	6.7%	43	\$883,803	42	-1.4%	37	989,415	44
Delaware	15,054	47	10.6%	20	\$584,133	47	9.0%	5	897,934	45
South Dakota	15,651	46	7.2%	40	\$891,456	41	5.1%	12	814,180	46
Alaska	14,766	48	-0.1%	51	\$582,993	48	-1.8%	39	710,231	47
North Dakota	15,914	45	13.7%	7	\$880,861	43	21.5%	1	672,591	48
Vermont	10,795	51	4.0%	49	\$447,046	50	-7.2%	48	625,741	49
Washington, DC	12,266	49	14.7%	4	\$498,928	49	4.8%	16	601,723	50
Wyoming	11,051	50	10.8%	18	\$419,308	51	4.9%	13	563,626	51

## STATE RANKINGS – CALL REPORT DATA

A review of the national Call Report data also shows that Massachusetts experienced larger percentage increases in the number and dollar amount of loans than most states during the twelve months ended June 30, 2015. Massachusetts ranked 5<sup>th</sup> in terms of the largest percentage increase in loan dollars during the twelve months end June 30, 2015 and 5<sup>th</sup> in terms of the percentage change in the number of loans. The national Call Report data also shows that 32 states experienced increases in the number of small business loans from June 2014 to June 2015 while 34 states experienced increases in the dollar amount of loans.

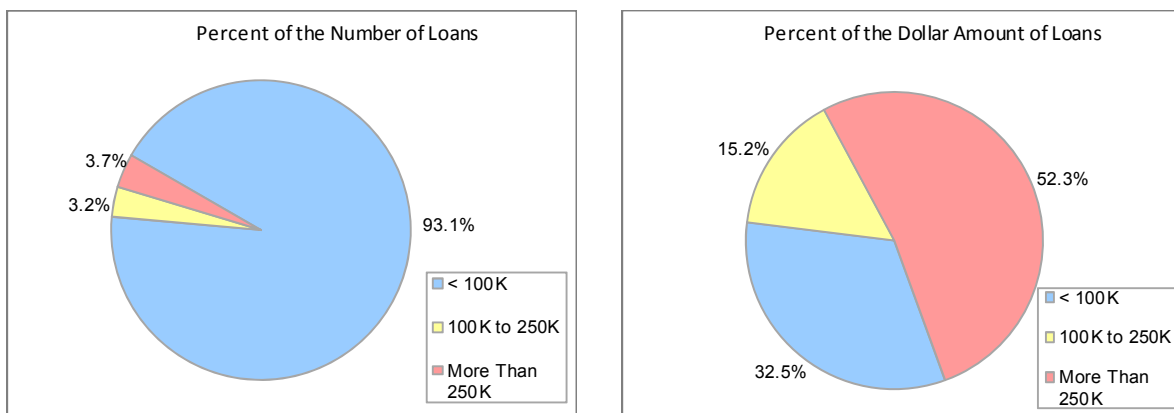
TABLE: Call report data by state sorted by total population (June 2014 to June 2015)

	Number of Loans	Rank	% Change in Number of Loans	Rank	\$ Amount of Loans (000s)	Rank	% Change in \$ Amount of Loans	Rank	Total Population	Rank
California	181,259	11	12.8%	8	\$28,605,633	5	4.0%	15	37,253,956	1
Texas	450,507	6	7.5%	14	\$29,534,882	4	0.7%	30	25,145,561	2
New York	182,199	10	-2.5%	38	\$21,322,708	8	0.1%	33	19,378,102	3
Florida	66,297	27	-2.6%	39	\$11,331,167	16	-4.7%	43	18,801,310	4
Illinois	362,428	7	1.5%	28	\$24,070,310	6	0.2%	32	12,830,632	5
Pennsylvania	173,492	12	0.7%	30	\$17,931,014	10	0.4%	31	12,702,379	6
Ohio	2,638,197	3	1.4%	29	\$55,417,435	1	-0.7%	35	11,536,504	7
Michigan	65,126	28	-8.1%	45	\$8,299,383	23	-2.7%	40	9,883,640	8
Georgia	167,329	13	11.6%	9	\$18,090,070	9	-1.1%	38	9,687,653	9
North Carolina	3,426,636	1	245.9%	1	\$54,248,758	2	15.2%	2	9,535,483	10
New Jersey	44,276	34	3.2%	23	\$9,253,322	19	5.2%	9	8,791,894	11
Virginia	360,589	8	13.1%	7	\$12,003,482	14	1.5%	26	8,001,024	12
Washington	58,453	31	9.0%	12	\$6,276,239	29	1.5%	27	6,724,540	13
Massachusetts	85,884	22	21.6%	5	\$11,600,138	15	9.7%	5	6,547,629	14
Indiana	78,459	24	7.6%	13	\$8,619,286	22	5.2%	8	6,483,802	15
Arizona	11,774	44	4.8%	18	\$2,307,420	42	3.3%	17	6,392,017	16
Tennessee	90,905	20	-6.1%	43	\$9,213,955	20	0.9%	29	6,346,105	17
Missouri	131,005	15	0.2%	31	\$12,059,001	13	-1.1%	37	5,988,927	18
Maryland	24,892	42	3.1%	25	\$4,051,829	35	1.9%	25	5,773,552	19
Wisconsin	96,674	19	6.8%	15	\$10,916,960	18	0.1%	34	5,686,986	20
Minnesota	120,299	16	9.3%	11	\$10,977,938	17	7.5%	7	5,303,925	21
Colorado	37,481	37	4.8%	17	\$4,006,896	36	2.5%	22	5,029,196	22
Alabama	335,949	9	3.6%	21	\$13,691,729	12	-2.8%	41	4,779,736	23
South Carolina	37,615	36	-19.1%	50	\$4,233,514	33	-17.6%	50	4,625,364	24
Louisiana	70,693	26	10.8%	10	\$7,719,093	25	10.7%	4	4,533,372	25
Kentucky	59,484	30	-4.8%	41	\$6,194,888	30	-5.4%	45	4,339,367	26
Oregon	41,765	35	55.4%	3	\$4,083,181	34	4.3%	13	3,831,074	27
Oklahoma	79,952	23	2.4%	27	\$8,068,777	24	3.9%	16	3,751,351	28
Connecticut	49,009	32	-8.2%	46	\$6,395,955	28	8.8%	6	3,574,097	29
Iowa	99,323	18	20.9%	6	\$7,476,127	26	3.2%	18	3,046,355	30
Mississippi	106,829	17	-0.4%	33	\$8,753,555	21	1.0%	28	2,967,297	31
Arkansas	77,239	25	4.0%	20	\$6,610,614	27	4.7%	10	2,915,918	32
Kansas	63,494	29	0.2%	32	\$4,848,897	32	-0.8%	36	2,853,118	33
Utah	2,345,297	4	67.2%	2	\$15,754,824	11	14.3%	3	2,763,885	34
Nevada	4,246	49	-13.5%	48	\$679,769	49	-2.5%	39	2,700,551	35
New Mexico	17,642	43	-2.4%	37	\$1,928,739	43	3.0%	20	2,059,179	36
West Virginia	34,540	39	-5.0%	42	\$3,232,899	39	2.1%	24	1,852,994	37
Nebraska	166,380	14	4.1%	19	\$5,699,415	31	3.1%	19	1,826,341	38
Idaho	7,941	47	-6.8%	44	\$871,157	47	-5.5%	46	1,567,582	39
Hawaii	26,095	41	-0.4%	34	\$1,283,728	45	-5.6%	47	1,360,301	40
Maine	26,289	40	3.6%	22	\$2,661,684	41	4.4%	12	1,328,361	41
New Hampshire	11,242	46	-1.6%	35	\$1,352,544	44	-10.6%	48	1,316,470	42
Rhode Island	87,205	21	43.3%	4	\$3,686,024	38	22.0%	1	1,052,567	43
Montana	44,721	33	3.1%	24	\$3,703,735	37	4.1%	14	989,415	44
Delaware	2,092,280	5	-52.5%	51	\$22,251,740	7	-25.2%	51	897,934	45
South Dakota	2,730,557	2	5.1%	16	\$47,778,307	3	4.6%	11	814,180	46
Alaska	3,988	50	-9.0%	47	\$651,445	50	2.8%	21	710,231	47
North Dakota	34,554	38	-3.0%	40	\$2,920,099	40	-5.0%	44	672,591	48
Vermont	6,908	48	-15.3%	49	\$727,343	48	-14.0%	49	625,741	49
Washington, DC	633	51	2.8%	26	\$167,712	51	2.2%	23	601,723	50
Wyoming	11,261	45	-2.3%	36	\$939,521	46	-3.6%	42	563,626	51

## **BREAKDOWN BY ORIGINAL LOAN AMOUNT**

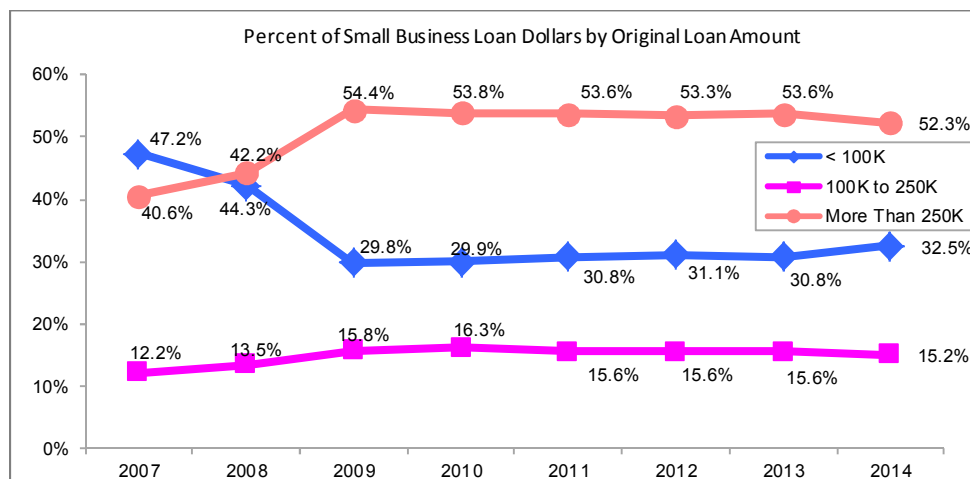
The annual CRA data provides an aggregate breakdown of loan data by the original amount of the loans using the following three loan size increments: under \$100,000, from \$100,000 to \$250,000, and from \$250,000 to \$1 million. CRA-reported small business loans with an original amount of \$100,000 or less accounted for the vast majority of the total number of loans in Massachusetts in 2014, but accounted for less than one-third of small business loan dollars. In Massachusetts, small business loans under \$100,000 accounted for 93.1% of the total number of loans in 2014 and 32.5% of the dollar amount of loans while larger small business loans - those with an original amount between \$250,000 and \$1 million - accounted for just 3.7% of the number of loans but made up 52.3% of loan dollars.

CHARTS: Small business loans with original amounts under \$100,000, though substantially greater in number, represented less than one-third of small business loan dollars in Massachusetts (2014)



**Much of the recent declines in small business lending from 2008 to 2010 involved declines in loans with original amounts under \$100,000 although the volume of these smaller loans, when measured on a percentage basis, has held fairly steady in recent years.** Such loans accounted for 32.5% of all small business loan dollars in 2014, still a substantial percentage of total volume but down sharply from 47.2% in 2007. The shift is related to a large decline in small business credit card lending, discussed in more detail later in this report, which accounts for a substantial portion of overall small business lending in Massachusetts.

CHART: Small business loans with original amounts over \$250,000 accounted for more than half of the dollar volume of loans in Massachusetts (2014)

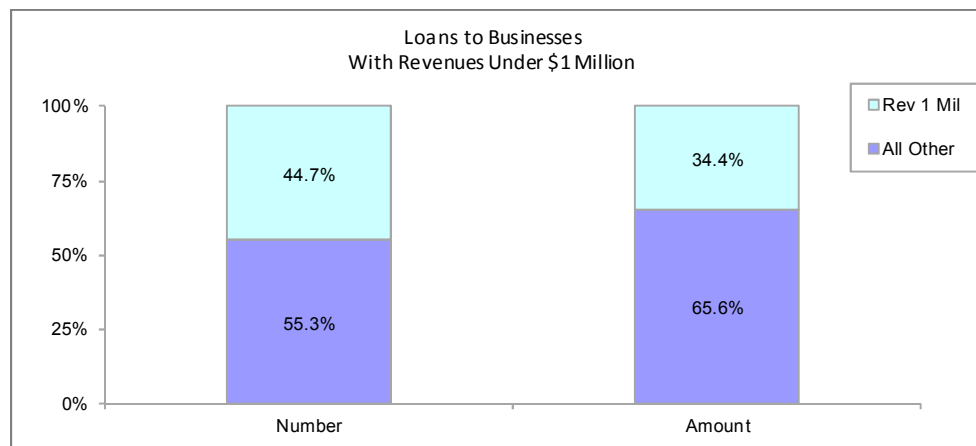


## LOANS TO BUSINESSES WITH REVENUES UNDER \$1 MILLION

The annual CRA data also provides a category specifically for loans to businesses with annual revenues of \$1 million or less. The category is intended to provide a way of identifying small business borrowers from larger business borrowers. However, it is important to note that these loans are probably understated in the CRA database due to the fact that CRA reporters are only required to report the revenues of their business customers when the revenue of the borrower is relied upon to make the credit decision. Consequently, credit decisions based on other factors – such as credit scores – are less likely to be reflected in this category. In addition, the CRA database only identifies borrowers with revenues *under* \$1 million, and does not distinguish between borrowers with revenues *over* \$1 million and borrowers where the revenues were not reported by the lender.

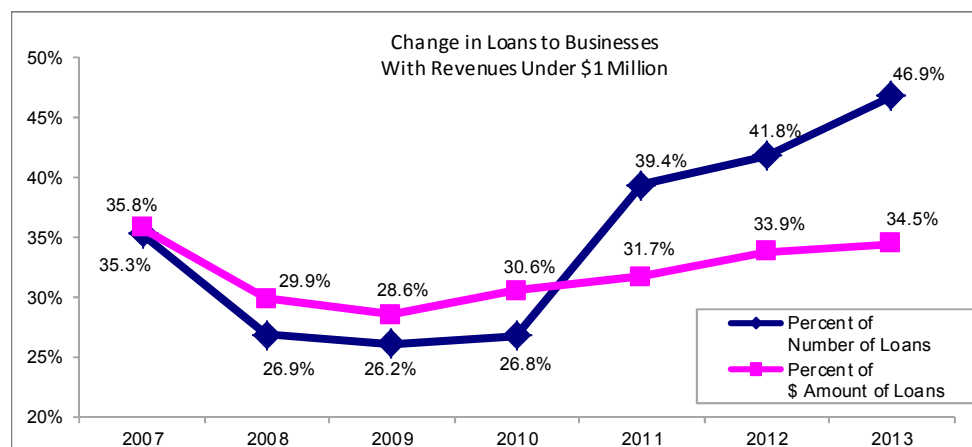
Reported loans to businesses with annual revenues of \$1 million or less accounted for 44.7% of the total number of loans in Massachusetts in 2014 and 34.4% of the dollar amount of loans, compared to the previous year when such loans represented 46.9% of the number of loans and 34.9% of the dollar volume.

CHART: Percentage of reported loans to businesses with annual revenues under \$1 million (2014)



The percentage of reported loans to businesses with revenues under \$1 million increased to 46.9% in terms of the number of loans in 2014 and 34.5% in terms of the dollar amount of loans.

CHART: Change in the percentage of loans to businesses with revenues under \$1 million (2007 to 2014)





## THE ROLE OF LOCAL LENDERS

As noted, the annual CRA data for 2014 contained a total of 42 local community banks that are headquartered in Massachusetts as well as four large commercial banks that are headquartered in other states but that have a substantial branch network across the state involving more than 150 branches per institution. These four large commercial banks, which include Bank of America, RBS Citizens, Santander Bank, and TD Bank, are treated as local lenders for the purposes of this report, as they have been in past reports, due to their extensive physical presence in the state. The CRA database also contains a handful of community banks headquartered in neighboring states that make small business loans in Massachusetts, but that have a relatively small branch presence involving 50 or fewer branches. These banks, which include First Niagara, Peoples United Bank, and Webster Bank, are *not* treated as local lenders in this report. Detailed information regarding individual lenders is provided in the online appendix to this report.

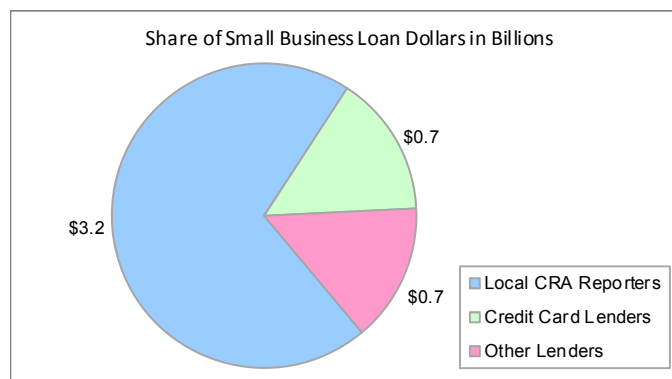
While local CRA reporters account for the vast majority of CRA-reported small business lending in Massachusetts, it is worth noting that most of these lenders are small community banks that typically report fewer than \$25 million in small business loans per year. In 2014, only 16 of the local CRA lenders reported between \$25 million and \$100 million in small business loan dollars, and just eight additional lenders reported small business loan volume in Massachusetts greater than \$100 million. These largest local CRA reporters include four Massachusetts community banks as well as the four large commercial banks noted above.

In addition to the local CRA reporters noted above, the annual CRA database also contains a substantial number of business credit card lenders that operate across the country as well as other out-of-state banks that routinely make small business loans in Massachusetts. As noted, there are also a large number of community banks and credit unions that make small business loans in Massachusetts but do not report annual CRA data. The roles of each of these competitors are discussed in more detail in the following sections.

**The annual CRA data shows that local lenders originated a total of 24,500 small business loans for \$3.2 billion in 2014 which represented 20.6% of the total number of small business loans in Massachusetts and 70.3% of small business loan dollars.**

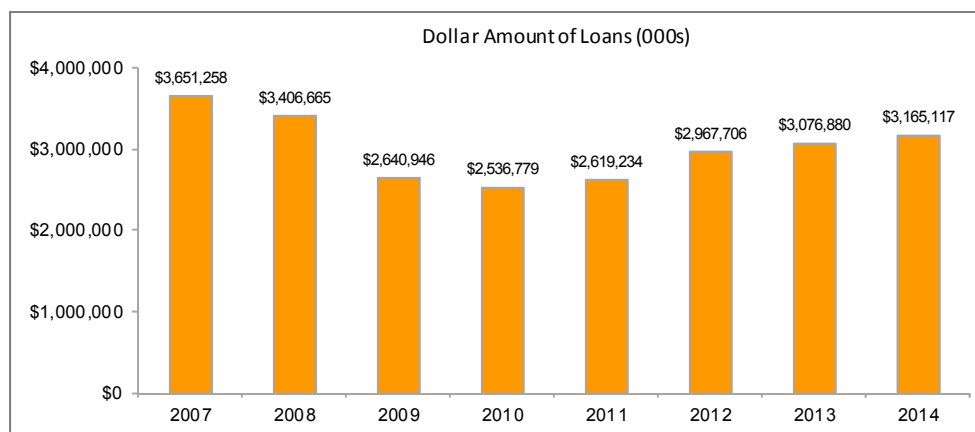
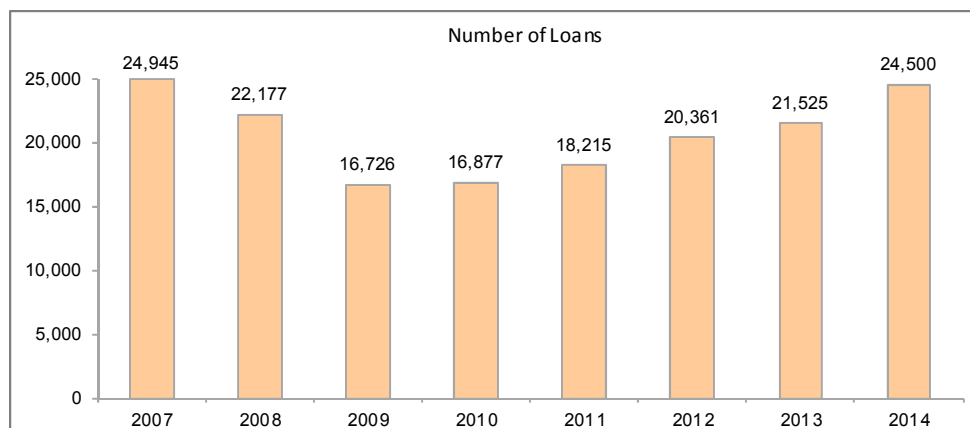
TABLE & CHART: Local CRA reporters vs other lenders (2014)

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total
Local CRA Reporters	24,500	20.6%	\$3,165,117	70.3%
Credit Card Lenders	82,975	69.8%	\$677,560	15.1%
Other Lenders	11,475	9.6%	\$659,263	14.6%
Totals	118,950	100.0%	\$4,501,940	100.0%



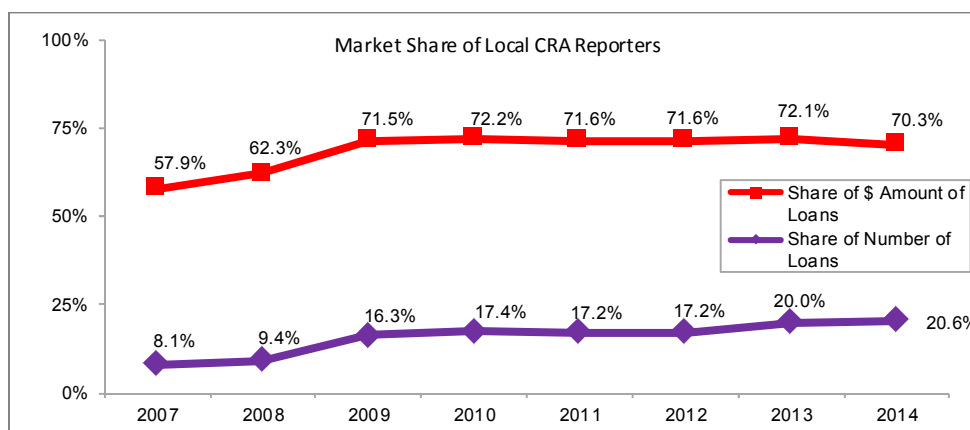
The 2014 results represented the fourth consecutive year of increases in both the number and dollar amount of loans for local CRA reporters.

CHARTS: Small business loan volume of local CRA reporters has steadily improved over the past few years



**Local CRA reporters have increased their share of the Massachusetts small business loan market in the wake of the recent financial crisis.** In 2014 local CRA reporters accounted for 70.3% of small business loan dollars in the state compared to 57.9% in 2007.

CHART: The market share of local CRA reporters has increased since the financial crisis



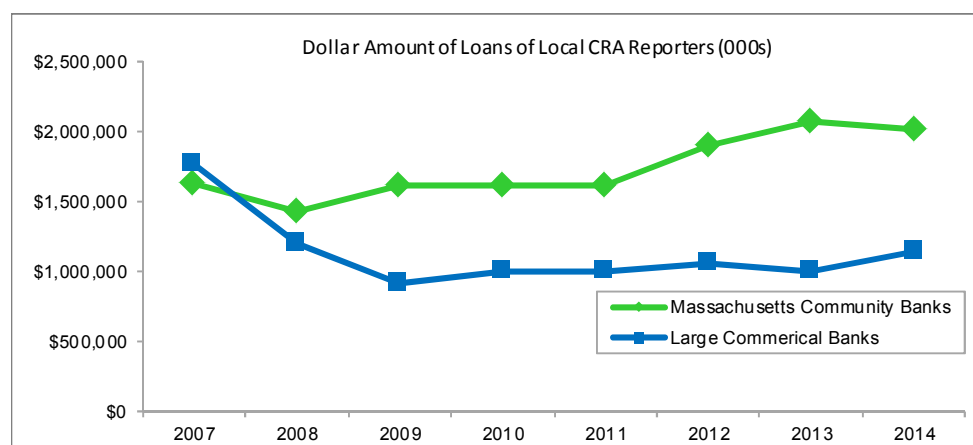
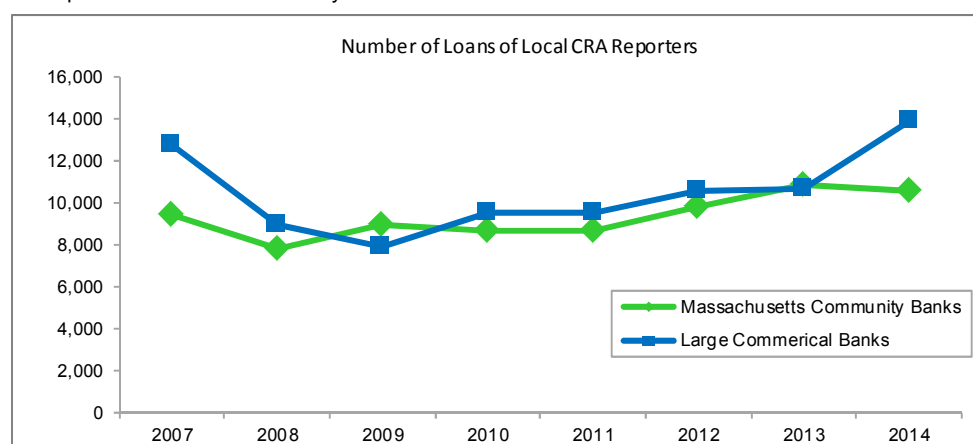
A closer examination of the data of local CRA reporters shows that local community banks in Massachusetts were outperformed in 2014 by large commercial banks that operate in the state in terms of small business lending, which represents a departure from the trend over the past few years. In 2014, local community bank accounted for 47.4% of small business loan dollars in Massachusetts in 2014 compared to 48.7% in the previous year, while the large commercial banks with branches in the state accounted for 26.8% of the total compared to 23.4% in the previous year.

The annual CRA data shows that local community banks made 10,594 small business loans for \$2.0 billion in 2014 while large commercial banks made 13,906 loans for \$1.1 billion. In terms of the change in small business loan volume from 2013 to 2014, local community banks experienced increases of 8.3% in the number of loans and 6.3% in loan dollars, while large commercial banks experienced increases of 31.5% in the number of loans and 7.2% in the dollar amount of loans. The large increase in the number of loans at the large commercial banks in 2014 is likely related in part to a pick up in small business credit card lending which was also observed among institutions that deal exclusively in credit card lending.

TABLE: Local community banks vs large commercial banks in Massachusetts (2014 CRA data)

	Number of Loans	% of Total	Percent Change	\$ Amount of Loans (000s)	% of Total	Percent Change
Local Community Banks	10,594	9.9%	8.3%	\$2,021,758	47.4%	6.3%
Large Commercial Banks	13,906	12.9%	31.5%	\$1,143,359	26.8%	7.2%
Totals - Local CRA Reporters	24,500	22.8%	20.3%	\$3,165,117	74.2%	6.7%

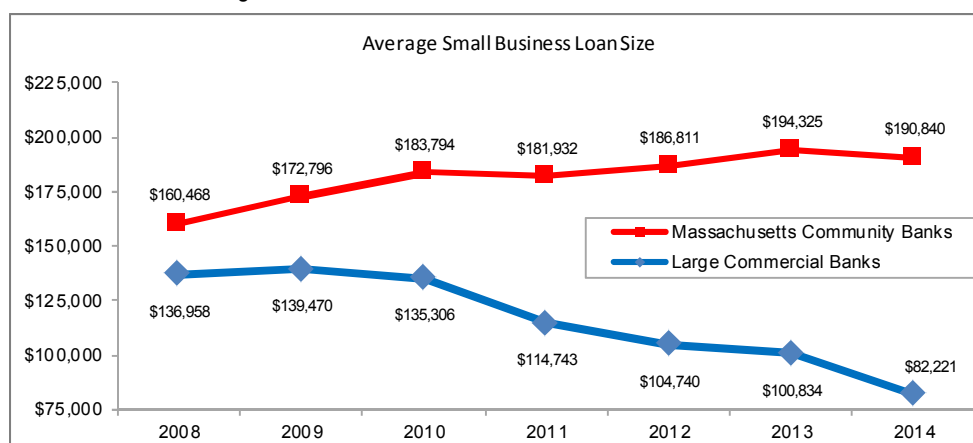
CHARTS: With the exception of 2014, local community banks have generally outperformed the large commercial banks that operate in the state in recent years



**The average size of a CRA-reported small business loan at a local community bank declined in 2014 for the first time in four years, while the average size of a loan at a large commercial bank with branches in the state declined for the fifth straight year.** The average size of a small business loan at local community banks dipped from \$194,325 in 2013 to \$190,840 in 2014 although the average loan size remains well above the levels preceding the recent financial crisis.

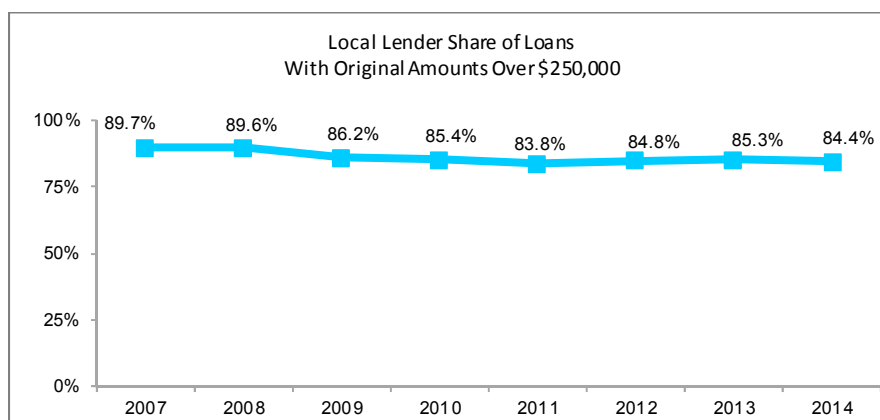
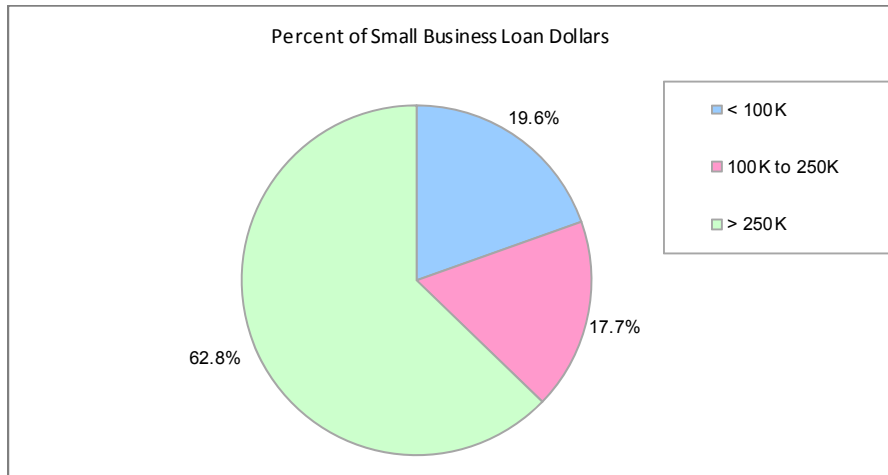
The large gap between the average loan size at local community banks and the large commercial banks that have branches in the state is influenced by a number of factors, including differences in underwriting approaches from one bank to another and the fact that the results for the large commercial banks are likely weighted down by a larger portion of small business credit card loans. The average size of a member business loan at credit unions in Massachusetts, which take great pride in their relationship with their member borrowers, totaled \$281,835 as of June 30, 2015, including both small and large business loans.

CHART: The average loan size of a small business loan has increased at local community banks and decreased at the large commercial banks



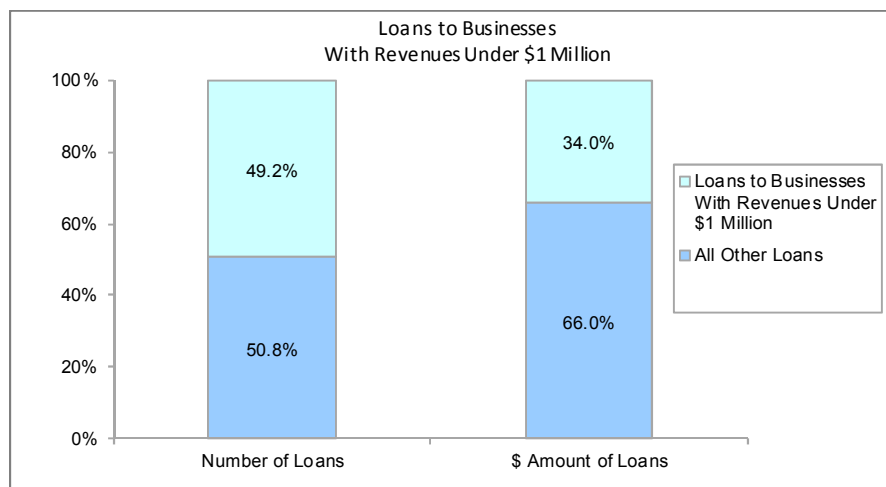
As one might expect given the average size of a small business loan originated by a local lender, a substantial portion of CRA-reported loans made by local lenders had original amounts greater than \$250,000. In 2013 loans with original amounts over \$250,000 accounted for 62.8% of the small business loan volume of local CRA reporters and, while their market share has slipped slightly in the years since the recent financial crisis, local lenders have continued to maintain a dominant share of the market for larger loans. In 2014, Massachusetts banks accounted for 84.4% of the reported dollar volume of loans over \$250,000. The economic impact of these larger loans is substantial and underscores the vital role that local lenders play in small business lending in Massachusetts.

CHARTS: Larger small business loans – those with an original amount over \$250,000 - account for well over half of small business loan dollars at local banks and on the books of local lenders, and is one area where local banks particularly dominate the market



Local lenders reported 12,061 loans to businesses with revenues under \$1 million in 2014 totaling \$1.1 billion, which represented 49.2% of the total number of loans originated by local lenders and 34.0% of the dollar amount of loans.

CHART: Reported loans to businesses with revenues under \$1 million at local lenders (2014)



The tables on the following two pages show the local CRA reporters and local Call Report filers arranged by their dollar volume of small business loans. More detailed information on these lenders is provided in the online appendix at [www.mcbe.info](http://www.mcbe.info).

TABLE: Small business loans by local CRA reporters in Massachusetts sorted by loan dollar volume (CRA Data 2014)

	Town	Massachusetts Deposits (\$000s) 6/30/2014	Number of Loans	\$ Amount of Loans (\$000s)	Average Loan Size (\$000s)
**BANK OF AMERICA, N.A.	WESTLAKE VILLAGE, CA	\$61,536,956	5,873	\$450,215	\$77
EASTERN BANK	LYNN	\$7,218,552	1,990	\$351,866	\$177
**TD BANK N.A.	WILMINGTON, DE	\$11,526,006	3,378	\$293,618	\$87
ROCKLAND TRUST COMPANY	BROCKTON	\$5,315,525	1,734	\$247,411	\$143
**CITIZENS BANK, NA	PROVIDENCE, RI	\$27,549,296	2,764	\$201,291	\$73
**SANTANDER BANK N.A.	WILMINGTON, DE	\$20,115,910	1,891	\$198,235	\$105
ENTERPRISE BANK AND TRUST CO	LOWELL	\$1,570,805	855	\$166,739	\$195
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$2,644,084	381	\$103,095	\$271
MIDDLESEX SAVINGS BANK	WESTBOROUGH	\$3,538,099	520	\$94,914	\$183
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$1,117,718	358	\$72,655	\$203
BOSTON PRIVATE BANK AND TRUST	BOSTON	\$3,402,482	187	\$71,362	\$382
BROOKLINE BANK	BOSTON	\$2,326,851	215	\$69,517	\$323
WESTFIELD BANK	WESTFIELD	\$814,470	371	\$66,690	\$180
CAPE COD FIVE CENTS SAVINGS BK	ORLEANS	\$2,167,126	358	\$55,387	\$155
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$1,700,307	265	\$53,850	\$203
CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$2,061,682	182	\$51,087	\$281
BAYCOAST BANK	FALL RIVER	\$775,751	200	\$50,549	\$253
CENTURY BANK	MEDFORD	\$2,859,688	291	\$46,617	\$160
EAST BOSTON SAVINGS BANK	PEABODY	\$2,568,827	103	\$37,279	\$362
UNITED BANK	SOUTH WINDSOR	\$1,387,625	182	\$32,838	\$180
BERKSHIRE BANK	PITTSFIELD	\$2,279,954	234	\$31,630	\$135
NORTHERN BANK & TRUST COMPANY	WOBBURN	\$1,026,391	132	\$28,321	\$215
CAMBRIDGE TRUST COMPANY	CAMBRIDGE	\$1,314,029	152	\$27,783	\$183
FIRST IPSWICH BANK	IPSWICH	\$251,196	98	\$25,040	\$256
MUTUALONE BANK	FRAMINGHAM	\$440,845	129	\$24,862	\$193
HAMPDEN BANK	SPRINGFIELD	\$498,089	108	\$22,500	\$208
HINGHAM INSTITUTION FOR SAVING	HINGHAM	\$1,029,347	64	\$22,381	\$350
UNIBANK	WHITINSVILLE	\$1,381,870	172	\$21,909	\$127
GREENFIELD SAVINGS BANK	GREENFIELD	\$504,876	156	\$19,970	\$128
BANK OF CAPE COD	HYANNIS	\$196,356	71	\$18,988	\$267
CAPE COD COOPERATIVE BANK	YARMOUTH PORT	\$554,956	105	\$18,079	\$172
THE LOWELL FIVE CENT SAVINGS B	LOWELL	\$787,781	75	\$17,364	\$232
BLUE HILLS BANK	NORWOOD	\$1,467,022	68	\$17,001	\$250
EASTHAMPTON SAVINGS BANK	EASTHAMPTON	\$841,450	125	\$16,767	\$134
INSTITUTION FOR SAVINGS	NEWBURYPORT	\$1,497,563	89	\$16,677	\$187
PEOPLESBANK	HOLYOKE	\$1,500,760	77	\$15,945	\$207
SOUTH SHORE BANK	SO WEYMOUTH	\$686,876	103	\$15,014	\$146
THE SAVINGS BANK	WAKEFIELD	\$404,650	59	\$14,184	\$240
HARBORONE BANK	BROCKTON	\$1,502,995	86	\$13,000	\$151
WATERTOWN SAVINGS BANK	WATERTOWN	\$967,231	44	\$12,323	\$280
COUNTRY BANK	WARE	\$941,043	73	\$11,334	\$155
CAPE ANN SAVINGS BANK	GLOUCESTER	\$337,889	70	\$9,360	\$134
WEBSTER FIVE CENTS SAVINGS	WORCESTER	\$435,029	37	\$8,214	\$222
EAST CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$754,732	32	\$8,063	\$252
EAGLE BANK	EVERETT	\$366,218	27	\$8,038	\$298
BELMONT SAVINGS BANK	BELMONT	\$908,592	16	\$5,155	\$322
TOTALS			24,500	\$3,165,117	\$129

\*\* Denotes the large commercial banks that have a physical presence inside Massachusetts but are headquartered outside the state

TABLE: Small business loans of local community banks in Massachusetts by dollar volume (Call Report Data – June 2015)

	Town	Deposits (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	Average Loan Size (\$000s)
ROCKLAND TRUST COMPANY	ROCKLAND	\$5,996,161	12,777	\$903,518	\$71
EASTERN BANK	BOSTON	\$8,147,688	5,389	\$818,694	\$152
BROOKLINE BANK	BROOKLINE	\$2,402,965	4,643	\$643,200	\$139
ENTERPRISE BANK AND TRUST COMPANY	LOWELL	\$1,963,736	3,795	\$558,721	\$147
UNITED BANK	VERNON	\$4,240,402	3,486	\$466,429	\$134
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$1,692,880	2,507	\$346,017	\$138
CAPE COD FIVE CENTS SAVINGS BANK	HARWICH PORT	\$2,325,405	1,850	\$300,423	\$162
MIDDLESEX SAVINGS BANK	NATICK	\$3,608,371	3,504	\$269,701	\$77
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$2,776,775	1,095	\$245,501	\$224
EAST BOSTON SAVINGS BANK	BOSTON	\$2,554,890	818	\$232,755	\$285
BERKSHIRE BANK	PITTSFIELD	\$5,379,939	3,714	\$224,235	\$60
AVIDIA BANK	HUDSON	\$847,844	2,070	\$210,989	\$102
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$1,271,614	1,258	\$192,928	\$153
BOSTON PRIVATE BANK & TRUST COMPANY	BOSTON	\$5,494,396	625	\$178,434	\$285
NORTHERN BANK & TRUST COMPANY	WOBURN	\$1,066,216	775	\$167,903	\$217
PROVIDENT BANK, THE	AMESBURY	\$604,780	1,189	\$166,569	\$140
BAYCOAST BANK	FALL RIVER	\$889,591	990	\$165,828	\$168
NORTH SHORE BANK, A CO-OPERATIVE BANK	PEABODY	\$538,722	818	\$150,462	\$184
PEOPLESBANK	HOLYOKE	\$1,636,448	608	\$140,323	\$231
CHICOPEE SAVINGS BANK	CHICOPEE	\$497,620	935	\$134,577	\$144
WESTFIELD BANK	WESTFIELD	\$898,618	1,435	\$118,613	\$83
HINGHAM INSTITUTION FOR SAVINGS	HINGHAM	\$1,133,167	395	\$115,716	\$293
SOUTH SHORE BANK	SOUTH WEYMOUTH	\$772,274	711	\$112,720	\$159
COUNTRY BANK FOR SAVINGS	WARE	\$979,438	746	\$107,379	\$144
MOUNTAINONE BANK	NORTH ADAMS	\$576,977	705	\$106,080	\$150
FALL RIVER FIVE CENTS SAVINGS BANK	FALL RIVER	\$697,242	1,028	\$105,103	\$102
RADIUS BANK	BOSTON	\$581,932	382	\$103,553	\$271
MUTUALONE BANK	FRAMINGHAM	\$471,743	651	\$99,894	\$153
STONEHAMBANK	STONEHAM	\$354,731	496	\$97,338	\$196
INSTITUTION FOR SAVINGS IN NEWBURYPORT	NEWBURYPORT	\$1,886,279	533	\$93,659	\$176
CAMBRIDGE TRUST COMPANY	CAMBRIDGE	\$1,396,201	501	\$85,846	\$171
PENTUCKET BANK	HAVERHILL	\$534,321	493	\$84,881	\$172
FIDELITY CO-OPERATIVE BANK	FITCHBURG	\$528,946	514	\$83,709	\$163
CAPE COD CO-OPERATIVE BANK	YARMOUTH PORT	\$618,719	539	\$83,426	\$155
MILFORD NATIONAL BANK AND TRUST COMPANY THE	MILFORD	\$251,991	461	\$81,650	\$177
CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$2,304,409	726	\$80,211	\$110
LEADER BANK, NATIONAL ASSOCIATION	ARLINGTON	\$681,044	376	\$78,375	\$208
BANK OF CAPE COD	HYANNIS	\$204,321	328	\$77,241	\$235
BANK OF CANTON, THE	CANTON	\$534,233	323	\$77,148	\$239
EASTHAMPTON SAVINGS BANK	EASTHAMPTON	\$1,183,670	793	\$76,114	\$96
MECHANICS COOPERATIVE BANK	TAUNTON	\$387,876	457	\$75,837	\$166
LOWELL FIVE CENT SAVINGS BANK, THE	LOWELL	\$823,131	576	\$75,478	\$131
FIRST IPSWICH BANK	IPSWICH	\$285,712	343	\$73,722	\$215
GREENFIELD SAVINGS BANK	GREENFIELD	\$529,106	741	\$73,372	\$99
BLUE HILLS BANK	HYDE PARK	\$1,397,066	339	\$72,822	\$215
NEWBURYPORT FIVE CENTS SAVINGS BANK	NEWBURYPORT	\$478,371	333	\$72,778	\$219
NORTH MIDDLESEX SAVINGS BANK	AYER	\$314,250	723	\$72,378	\$100
HOMETOWN BANK, A COOPERATIVE BANK	OXFORD	\$338,968	437	\$69,846	\$160
NUVO BANK AND TRUST	SPRINGFIELD	\$142,624	434	\$69,712	\$161
CENTURY BANK AND TRUST COMPANY	SOMERVILLE	\$2,857,403	278	\$69,114	\$249



## CREDIT UNIONS

Massachusetts credit unions also experienced a strong increase in small business lending in the past year. Of the 183 state and federal credit unions in Massachusetts, 58 reported member business loans on their books as of June 30, 2015. While the credit union reporting requirements and instructions differ from the annual CRA and quarterly Call Report reporting requirements, it is likely that the vast majority of the credit union member business loans have original amounts under \$1 million and would therefore be considered small business loans under the CRA and Call Report instructions. **Credit unions in Massachusetts reported 6,169 small business loans for \$1.7 billion as of June 30, 2015, compared to 5,675 loans for \$1.5 billion as of June 30, 2014.**

TABLE: Credit union member business loans in Massachusetts (2007 to 2015)

	Number of CUs w/Loans	Number of Loans	\$ Amount of Loans (000s)
June-2007	55	3,223	\$707,283
June-2008	58	3,632	\$879,175
June-2009	61	3,868	\$980,502
June-2010	65	4,290	\$1,025,789
June-2011	65	4,747	\$1,089,783
June-2012	68	4,938	\$1,199,230
June-2013	65	5,458	\$1,392,325
June-2014	61	5,675	\$1,524,332
June-2015	58	6,169	\$1,738,643

Unlike most other lenders, Massachusetts credit unions have experienced regular increases in business loans throughout the entire period covered by the recent financial crisis and its aftermath. While their contribution to the overall volume of small business loans may be relatively small when compared to commercial banks, the growth of member business loans at credit unions underscores the important role that credit unions, and other local community lenders, play in meeting local business credit needs. **Small business loans at local credit unions increased by 8.7% and 14.1% in terms of the number and dollar amount of small business loans during the twelve months ended June 30, 2015.** The increases in member business loans at Massachusetts credit unions have generally been in line with national credit union averages over the period reviewed.

TABLE: Annual year-over-year change in member business loans in Massachusetts (2008 to 2015)

	Change in Number of Loans	% Change	Change in \$ Amount of Loans (000s)	% Change
June-2008	409	12.7%	\$171,891	24.3%
June-2009	236	6.5%	\$101,327	11.5%
June-2010	422	10.9%	\$45,287	4.6%
June-2011	457	10.7%	\$63,994	6.2%
June-2012	191	4.0%	\$109,447	10.0%
June-2013	520	10.5%	\$193,094	16.1%
June-2014	217	4.0%	\$132,007	9.5%
June-2015	494	8.7%	\$214,311	14.1%

The table on the following page shows local credit unions arranged by their dollar volume of member business loans. More detailed information on these lenders is provided in the online appendix at [www.mcabc.info](http://www.mcabc.info).

TABLE: Member business loans by local credit unions in Massachusetts by dollar volume (June 2015)

	Town	Deposits (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
DIGITAL FCU	MARLBOROUGH	\$4,541,331	854	\$586,980	\$687
JEANNE D'ARC CU	LOWELL	\$890,142	359	\$101,799	\$284
WEBSTER FIRST FCU	WORCESTER	\$518,173	292	\$73,299	\$251
METRO CU	CHELSEA	\$1,047,472	215	\$72,733	\$338
ST. ANNE'S OF FALL RIVER CU	FALL RIVER	\$711,855	266	\$64,995	\$244
ROCKLAND FCU	ROCKLAND	\$1,038,940	438	\$59,955	\$137
GREYLOCK FCU	PITTSFIELD	\$986,608	435	\$59,681	\$137
CENTRAL ONE FCU	SHREWSBURY	\$331,257	94	\$34,887	\$371
WORKERS' CU	FITCHBURG	\$758,024	147	\$33,863	\$230
MILLBURY FCU	MILLBURY	\$268,577	189	\$32,935	\$174
FREEDOM CU	SPRINGFIELD	\$436,467	129	\$31,187	\$242
GFA FCU	GARDNER	\$316,449	175	\$29,078	\$166
ST. MARY'S CU	MARLBOROUGH	\$555,712	116	\$25,290	\$218
RIVER WORKS CU	LYNN	\$83,181	110	\$23,902	\$217
BRIDGEWATER CU	BRIDGEWATER	\$268,640	95	\$21,441	\$226
FIRST CITIZENS' FCU	FAIRHAVEN	\$471,591	298	\$20,326	\$68
ALIGN CU	LOWELL	\$408,440	68	\$20,295	\$298
CRESCENT CU	BROCKTON	\$302,450	127	\$19,588	\$154
SHARON CU	SHARON	\$419,436	92	\$17,284	\$188
LEOMINSTER CU	LEOMINSTER	\$458,917	149	\$17,190	\$115
COMMUNITY CREDIT UNION OF LYNN CU	LYNN	\$95,302	92	\$17,055	\$185
INDUSTRIAL CU	BOSTON	\$143,325	45	\$15,129	\$336
RTN FCU	WALTHAM	\$704,829	72	\$12,871	\$179
FIRST PRIORITY CU	BOSTON	\$83,637	28	\$11,580	\$414
MERRIMACK VALLEY FCU	LAWRENCE	\$460,496	96	\$11,253	\$117
SOUTHBRIDGE CU	SOUTHBRIDGE	\$125,003	66	\$10,631	\$161
CAMBRIDGE PORTUGUESE CU	SOMERVILLE	\$104,369	57	\$9,410	\$165
HOLYOKE CU	HOLYOKE	\$94,234	43	\$9,286	\$216
TAUNTON FCU	TAUNTON	\$116,089	31	\$8,155	\$263
HANSCOM FCU	HANSCOM AFB	\$952,365	68	\$7,941	\$117
ST. JEAN'S CU	LYNN	\$138,190	29	\$6,830	\$236
ST. MICHAELS FALL RIVER FCU	FALL RIVER	\$34,162	36	\$5,753	\$160
LIBERTY BAY CU	BRAINTREE	\$484,930	45	\$5,729	\$127
ALDEN CU	CHICOPEE	\$106,164	42	\$5,402	\$129
LUSO FCU	LUDLOW	\$152,109	44	\$5,176	\$118
LUSO-AMERICAN CU	PEABODY	\$66,627	12	\$4,434	\$369
FALL RIVER MUNICIPAL CU	FALL RIVER	\$146,025	30	\$4,268	\$142
GRAFTON SUBURBAN CU	NORTH GRAFTON	\$102,059	33	\$3,639	\$110
MEMBERS PLUS CU	MEDFORD	\$182,587	19	\$3,405	\$179
SOMERSET FCU	SOMERSET	\$120,605	27	\$3,269	\$121
BOSTON FIREFIGHTERS CU	DORCHESTER	\$173,195	13	\$2,885	\$222
TREMONT CU	BRAINTREE	\$147,437	11	\$2,504	\$228
MASS BAY CU	SOUTH BOSTON	\$179,935	12	\$2,312	\$193
TAUPA LITHUANIAN FCU	SOUTH BOSTON	\$16,537	11	\$1,711	\$156
NOTRE DAME COMMUNITY FCU	FALL RIVER	\$41,760	13	\$1,528	\$118
I-C FCU	FITCHBURG	\$352,196	11	\$1,098	\$100
POLISH NATIONAL CU	CHICOPEE	\$405,032	6	\$777	\$129
SHREWSBURY FCU	SHREWSBURY	\$114,128	5	\$716	\$143
ACUSHNET FCU	ACUSHNET	\$17,063	6	\$664	\$111
SOUTHERN MASS CU	FAIRHAVEN	\$164,153	5	\$496	\$99

## CREDIT CARD LENDERS

While the CRA database does not identify whether a given loan is a small business credit card loan, it does provide a way to estimate which lenders make credit card loans and how big the credit card market is. By reviewing the volume of loans and the average loan size of the largest lenders, a pattern quickly emerges: for some lenders the number of loans reported is quite large but the average loan size is quite small and well below the \$150,000 average loan size of the local lenders that account for the majority of the dollar volume of loans.

**Credit card lenders reported an estimated 82,975 small business credit card loans in Massachusetts in 2014 for \$677.6 million, which represents a relatively large increase compared to the previous year but still well below the levels generated in the years leading up to the recent financial crisis. Small business credit card loans accounted for 69.8% of the total number of CRA-reported small business loans in the state in 2014 and 15.1% of loan dollars.**

CHARTS: Estimated small business credit card loan volume in Massachusetts (2007 to 2014)

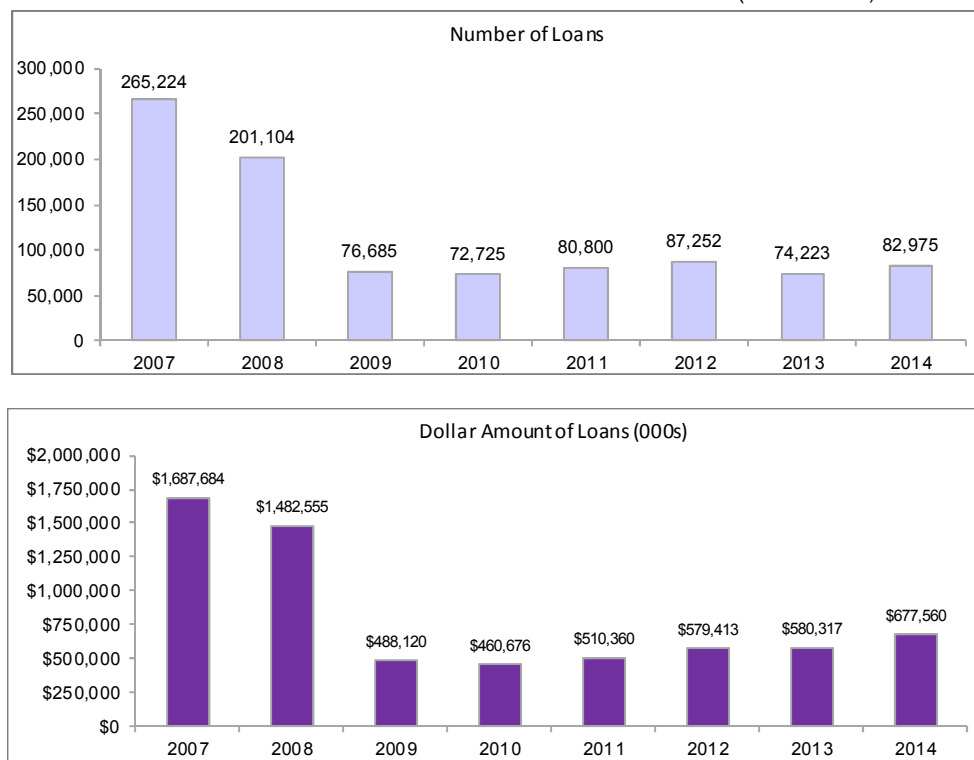
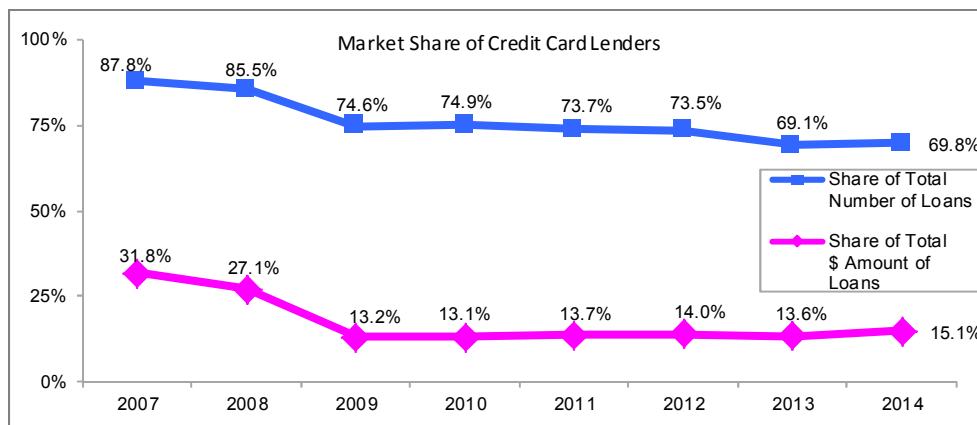


TABLE: Small business credit card lenders in Massachusetts (2014)

	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
AMERICAN EXPRESS, FSB	30,530	\$278,369	\$9,118
CHASE BANK USA, NA	8,896	\$88,335	\$9,930
CAPITAL ONE BANK (USA), N.A.	12,586	\$87,474	\$6,950
FIA CARD SERVICES	9,820	\$83,324	\$8,485
CITIBANK, N.A.	9,710	\$58,967	\$6,073
US BANK, N.A.	4,727	\$41,259	\$8,728
SYNCHRONY BANK	4,335	\$18,327	\$4,228
WEX BANK	1,662	\$16,063	\$9,665
FIRST NATIONAL BANK OF OMAHA	439	\$4,558	\$10,383
DISCOVER BANK	270	\$884	\$3,274
CREDIT CARD LENDER TOTALS	82,975	\$677,560	\$8,166

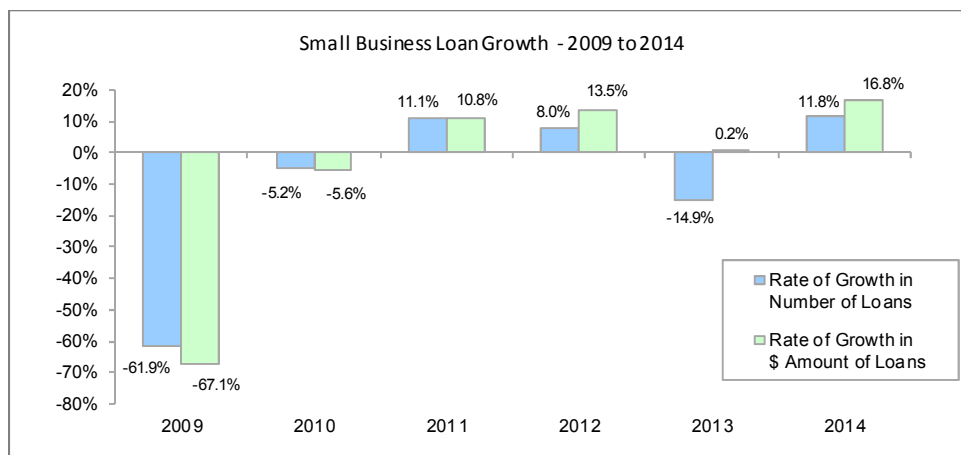
The important role played by credit card lenders in Massachusetts underscores the level of competition for small business loans that exists among all lenders. It also exemplifies the wide variety of loan products and underwriting options that consumers can choose from. Unlike larger, traditional small business loans, which often involve a direct formal relationship with a local bank branch, credit card applications are usually conducted over the phone or by mail. They may also place greater emphasis on the credit score of the applicant than on the reported revenue of the business and are less likely to require a branch relationship. Despite the declines in market share in the wake of the recent financial crisis, the popularity of small business credit cards is demonstrated by the substantial increase in market share that these lenders have gained in recent years and by the fact that more and more local lenders are now offering credit card loans to their own customers.

CHART: Credit card lender market share in Massachusetts (2007 to 2013)



**Credit card lenders in Massachusetts experienced increases of 11.8% and 16.8% in the number and dollar amount of CRA-reported loans from 2013 to 2014, representing the third year out of the past six when both the number and dollar volume of small business credit card loans increased in Massachusetts.**

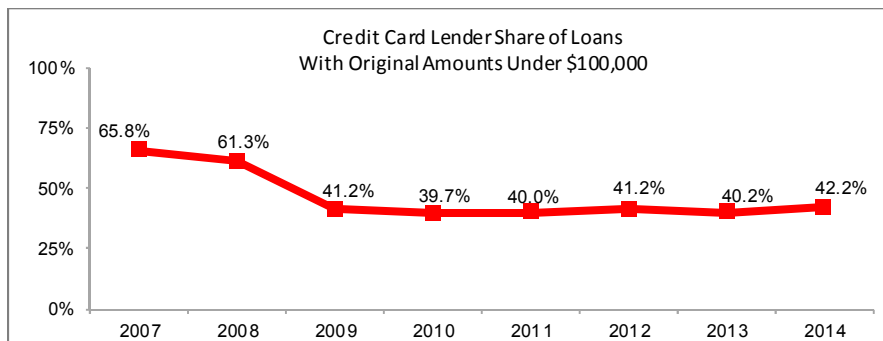
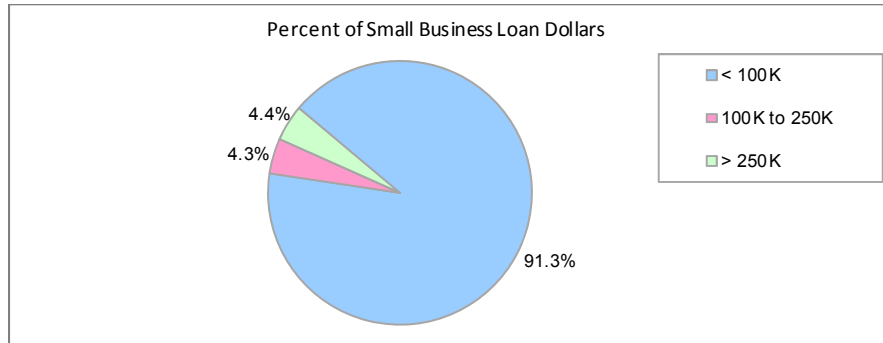
CHART: Change in small business credit card loan volume (2009 to 2014)



As one might expect given the average size of a small business credit card loan, the vast majority of loans originated by credit card lenders have original amounts less than \$100,000. In 2014, these loans accounted for 91.3% of all small business loan dollars for credit card lenders compared to 19.6% of loan dollars for local CRA reporters.

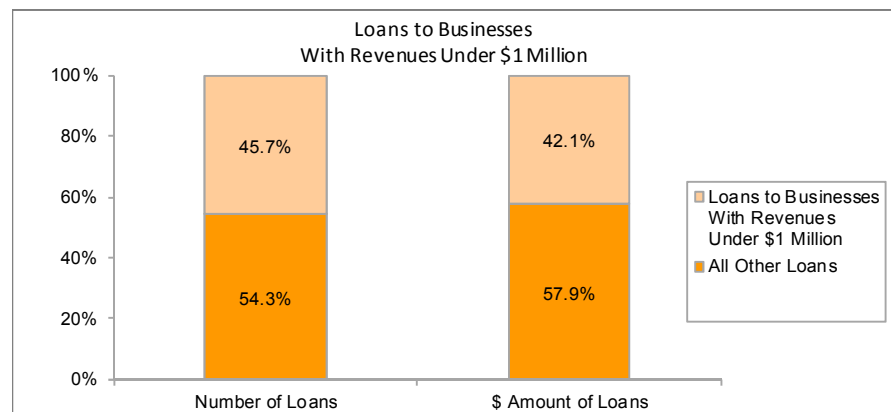
In terms of market share, small business credit card lenders accounted for 42.2% of small business loans in Massachusetts with original amounts under \$100,000 in 2014 which represents a small increase compared to the results over the past several years but remains well below the market share levels achieved prior to the recent financial crisis.

CHARTS: Loans with an original amount under \$100,000 account for the vast majority of small business loan dollars by credit card lenders although these lenders have lost market share since the recent financial crisis



Credit card lenders reported 37,904 loans to businesses with revenues under \$1 million in Massachusetts in 2014 for \$285.0 million, which represented 45.7% of the total number of loans originated by credit card lenders and 42.1% of the dollar amount of loans.

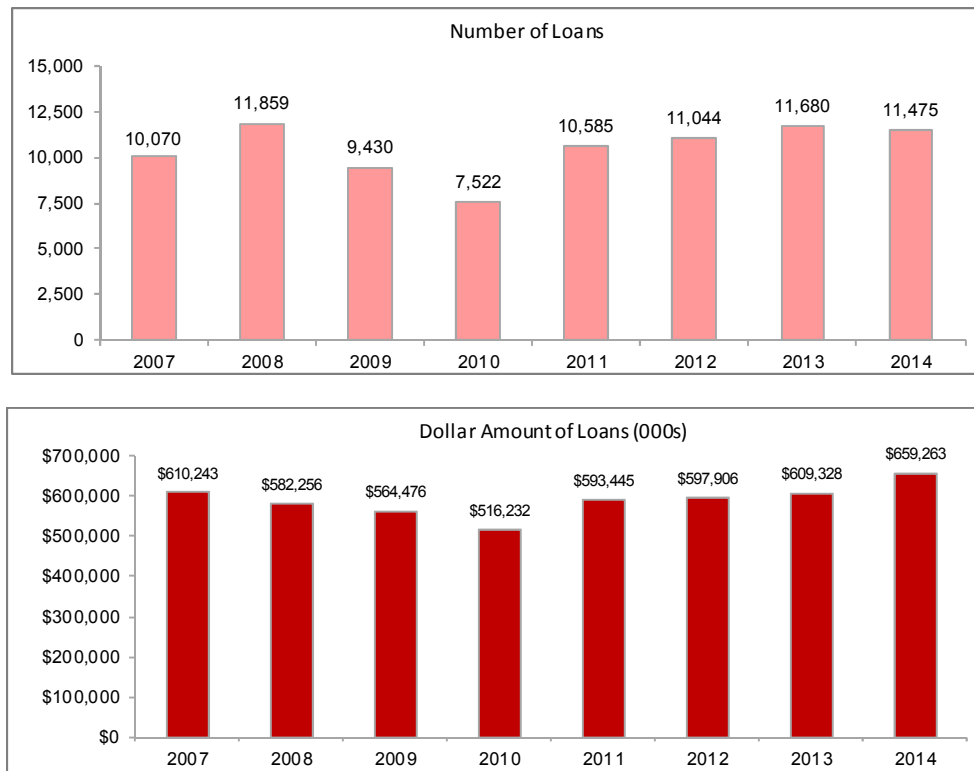
CHART: Loans to businesses with revenues under \$1 million at credit card lenders (2014)



## OTHER OUT-OF-STATE LENDERS

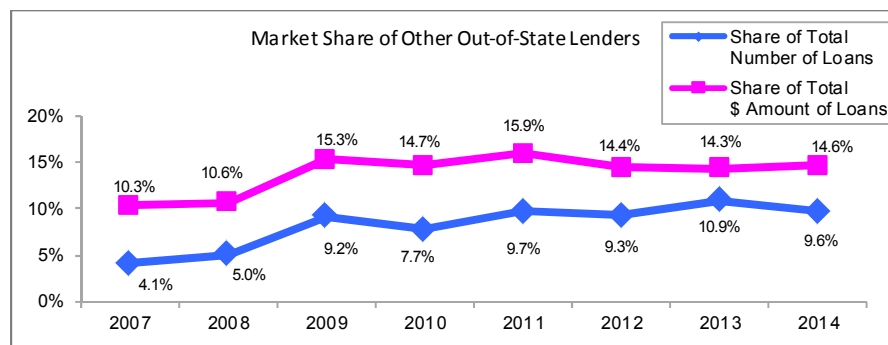
Other out-of-state CRA lenders reported 11,475 CRA-reported small business loans in Massachusetts in 2014 for \$659.3 million, which exceeds the levels reached before the recent financial crisis. Small business loans by other out-of-state CRA lenders accounted for 9.6% of the total number of CRA-reported small business loans in the state in 2014 and 14.6% of loan dollars.

CHARTS: Small business loans by other out-of-state lenders in Massachusetts (2007 to 2014)



The volume of loans by other out-of-state lenders underscores the important role they play in serving the credit needs of small businesses in Massachusetts as well as the level of competition that exists in the marketplace for small business loans.

CHART: Market share of other out-of-state lenders in Massachusetts (2007 to 2014)



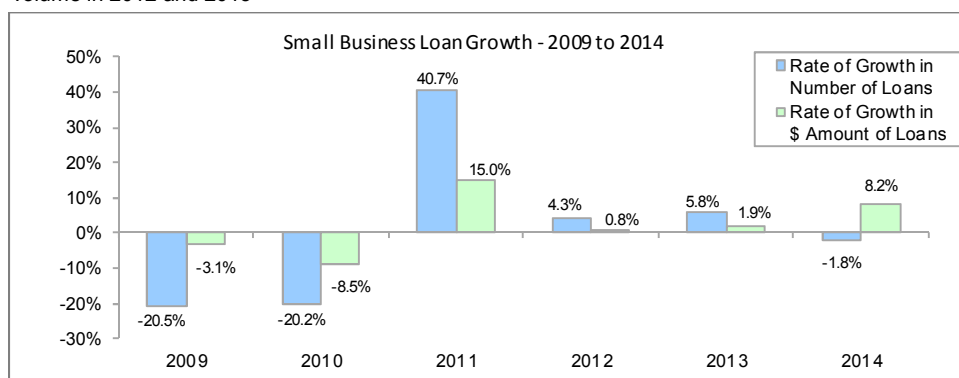
The following table shows the total CRA small business loans in 2014 for the 30 largest other out-of-state lenders in Massachusetts ranked by dollar volume. Data for all other out-of-state lenders can be found in the online appendix at [www.mcabc.info](http://www.mcabc.info).

TABLE: Small business loans by the 30 largest other out-of-state lenders by dollar volume (2014)

	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
PEOPLES UNITED BANK	657	\$114,885	\$174,863
WELLS FARGO BANK, N.A.	1,890	\$97,949	\$51,825
M&T BANK	106	\$60,613	\$571,821
SILICON VALLEY BANK	568	\$48,500	\$85,387
WEBSTER BANK, N.A.	251	\$48,286	\$192,375
TEXAS CAPITAL BANK	4,414	\$40,792	\$9,242
JPMORGAN CHASE BANK, NA	603	\$33,881	\$56,187
GE CAPITAL BANK	377	\$21,057	\$55,854
FIRST REPUBLIC BANK	44	\$15,877	\$360,841
SIGNATURE BANK	58	\$13,915	\$239,914
THE HUNTINGTON NATIONAL BANK	400	\$12,170	\$30,425
STEARNS BANK N A	208	\$11,683	\$56,168
EAST WEST BANK	20	\$9,499	\$474,950
BANK RHODE ISLAND	40	\$8,986	\$224,650
BRANCH BANKING AND TRUST CO	841	\$8,717	\$10,365
NBT BANK NA	46	\$7,443	\$161,804
SUNTRUST BANK, INC	22	\$5,761	\$261,864
FARMINGTON BANK	14	\$5,182	\$370,143
FIRST NIAGARA BANK, N.A.	154	\$5,138	\$33,364
KEYBANK NATIONAL ASSOCIATION	10	\$4,881	\$488,100
BANKNEWPORT	14	\$4,875	\$348,214
CIT BANK	72	\$4,283	\$59,486
CITY NATIONAL BANK	14	\$4,272	\$305,143
THE BANK OF NEW YORK MELLON	10	\$4,068	\$406,800
BRIDGE BANK	4	\$3,250	\$812,500
SALISBURY BANK AND TRUST CO	33	\$3,065	\$92,879
PNC BANK N.A.	13	\$3,053	\$234,846
WASHINGTON TRUST COMPANY	8	\$2,845	\$355,625
COMERICA BANK	30	\$2,821	\$94,033
BOFI FEDERAL BANK	68	\$2,607	\$38,338
OTHER LENDER TOTALS	11,475	\$659,263	\$57,452

**Other out-of-state lenders experienced an increase of 8.2% in CRA-reported small business loan dollars in 2014 despite a 1.8% decrease in the number of loans.** The increase in dollar volume of other out-of-state lenders in Massachusetts represented the fourth consecutive year of increases and the largest increase since 2011.

CHART: Other out-of-state lenders experienced modest increases in small business lending volume in 2012 and 2013



Loans with original amounts over \$250,000 accounted for roughly half of the small business loan dollars by out-of-state lenders in 2014 and the average loan size was roughly \$57,000.

CHART: Breakdown by loan amount at other out-of-state lenders (2014)

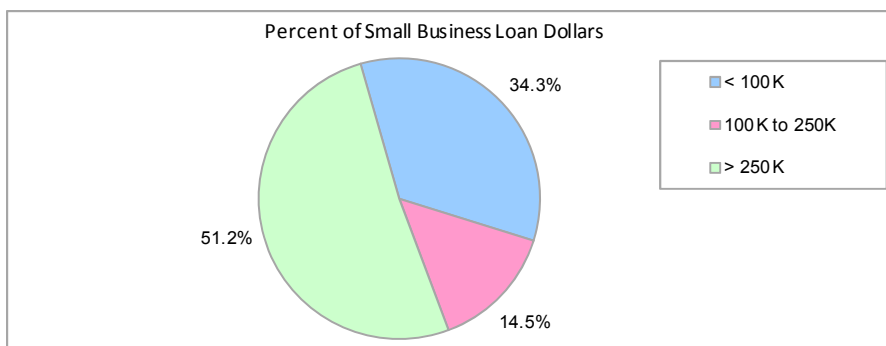
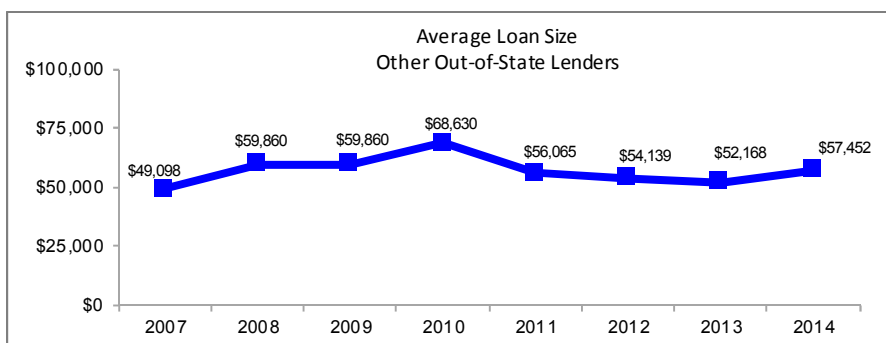
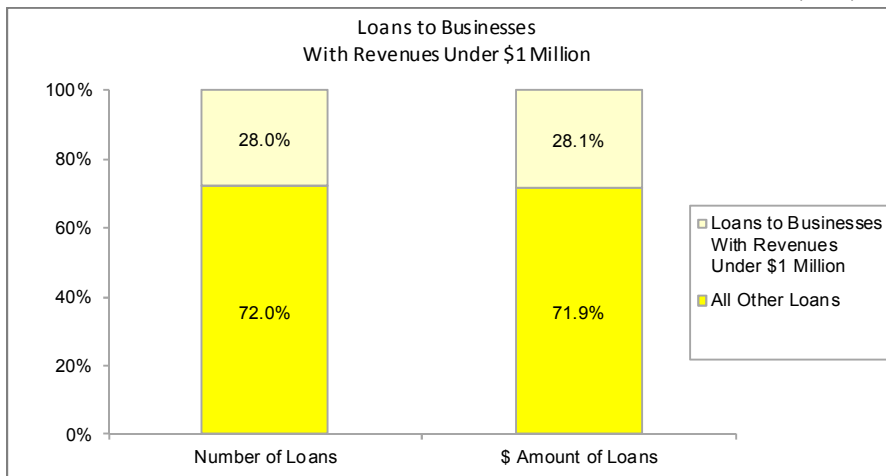


CHART: Average loan size of other out-of-state lenders (2014)



Out-of-state lenders reported 3,212 loans to businesses with revenues under \$1 million in Massachusetts in 2014 for \$185.4 million, which represented 28.0% of the total number of loans originated by out-of-state lenders and 28.1% of the dollar amount of loans.

CHART: Loans to businesses with revenues under \$1 million at out-of-state lenders (2014)





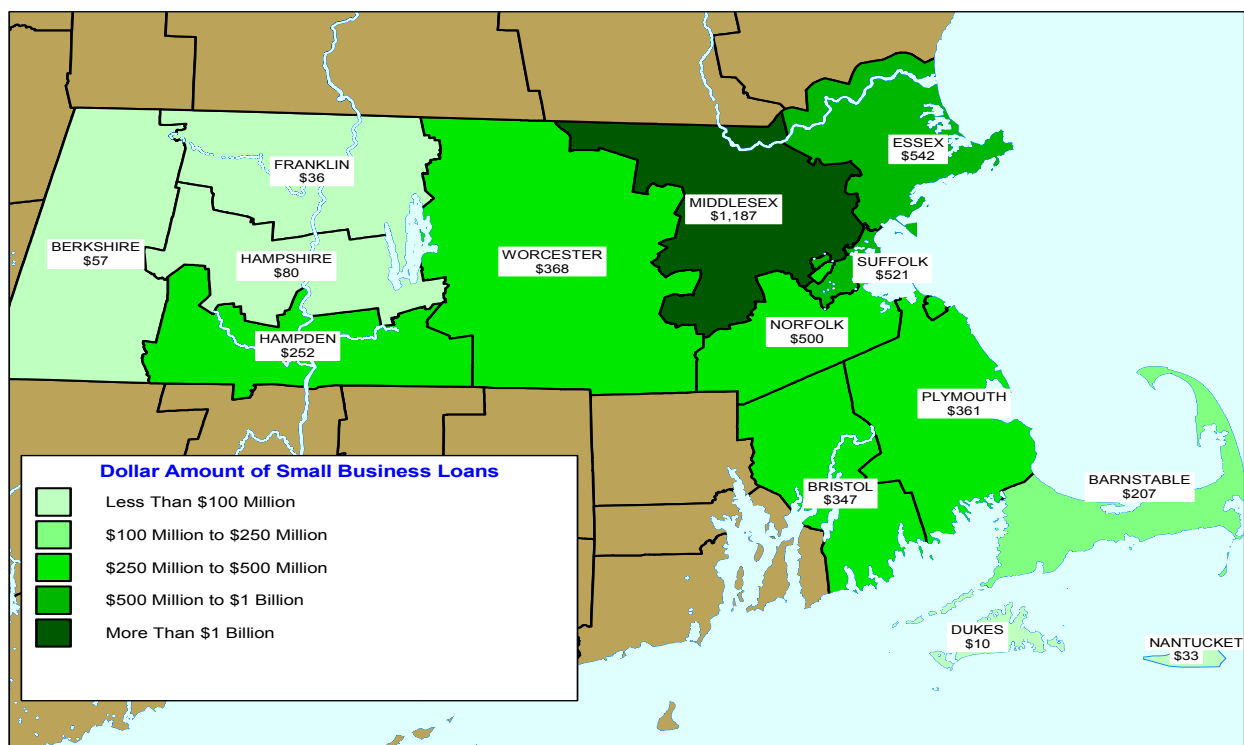
## SMALL BUSINESS LOANS BY COUNTY

The distribution of small business loans by county in Massachusetts generally follows each county's percentage of the total state population. In terms of dollar amounts, the volume of small business loans in 2014 ranged from \$1.2 billion in Middlesex County, which accounts for 23.0% of the state's total population, to \$10.4 million in Dukes County, which accounts for 0.3% of the state's total population. Detailed small business loan data for all counties can be found in the online appendix at [www.mcbsc.info](http://www.mcbsc.info).

TABLE: Small business loans by county (2014)

	Number of Loans	% of Total	\$ Amount of Loans (\$000s)	% of Total	Total Population	% of Total
Barnstable	5,527	4.6%	\$207,456	4.6%	215,888	3.3%
Berkshire	2,156	1.8%	\$56,967	1.3%	131,219	2.0%
Bristol	8,078	6.8%	\$347,472	7.7%	548,285	8.4%
Dukes	591	0.5%	\$10,438	0.2%	16,535	0.3%
Essex	13,517	11.4%	\$541,542	12.0%	743,159	11.4%
Franklin	993	0.8%	\$35,699	0.8%	71,372	1.1%
Hampden	6,222	5.2%	\$252,026	5.6%	463,490	7.1%
Hampshire	2,404	2.0%	\$79,812	1.8%	158,080	2.4%
Middlesex	31,792	26.7%	\$1,186,962	26.4%	1,503,085	23.0%
Nantucket	706	0.6%	\$33,285	0.7%	10,172	0.2%
Norfolk	13,946	11.7%	\$499,795	11.1%	670,850	10.2%
Plymouth	9,120	7.7%	\$361,443	8.0%	494,919	7.6%
Suffolk	12,706	10.7%	\$521,380	11.6%	722,023	11.0%
Worcester	11,192	9.4%	\$367,663	8.2%	798,552	12.2%
State Totals	118,950	100.0%	\$4,501,940	100.0%	6,547,629	100.0%

Map: Small business loans dollars by county (2014)

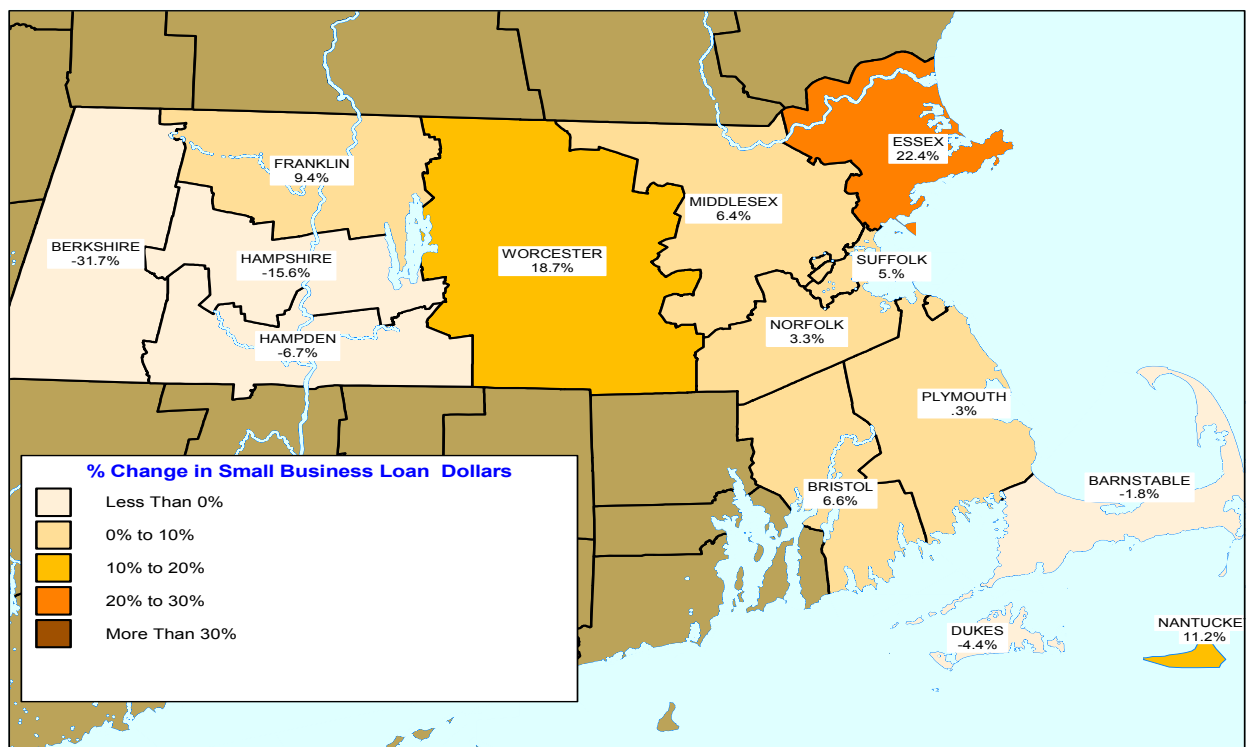


**Nine of the 14 counties in Massachusetts experienced increases in CRA-reported small business lending volume in 2014.** On a percentage basis, the changes in small business loan dollars ranged from a 22.4% increase in Essex County to a 31.7% decrease in Berkshire County. In terms of dollar amounts, the counties with the largest increases in loan dollars occurred in Essex, Middlesex, and Worcester Counties, while the counties with the largest decreases occurred in Berkshire, Hampden, and Hampshire Counties. The large decrease in small business lending in Berkshire County can be attributed in part to a decrease in CRA-reported loans at a single local lender in 2014 following a large increase in loan volume at the same lender in 2013.

TABLE: Change in small business loans by county (2014)

	2014 Change in Number of Loans	% Change	2014 Change in \$ Amount of Loans (\$000s)	% Change	Total Population	% of Total
Barnstable	486	9.6%	-\$3,742	-1.8%	215,888	3.3%
Berkshire	-56	-2.5%	-\$26,393	-31.7%	131,219	2.0%
Bristol	806	11.1%	\$21,550	6.6%	548,285	8.4%
Dukes	49	9.0%	-\$485	-4.4%	16,535	0.3%
Essex	1,726	14.6%	\$99,018	22.4%	743,159	11.4%
Franklin	91	10.1%	\$3,072	9.4%	71,372	1.1%
Hampden	266	4.5%	-\$17,972	-6.7%	463,490	7.1%
Hampshire	80	3.4%	-\$14,796	-15.6%	158,080	2.4%
Middlesex	3,255	11.4%	\$71,487	6.4%	1,503,085	23.0%
Nantucket	85	13.7%	\$3,749	12.7%	10,172	0.2%
Norfolk	945	7.3%	\$16,081	3.3%	670,850	10.2%
Plymouth	1,090	13.6%	\$1,149	0.3%	494,919	7.6%
Suffolk	1,429	12.7%	\$24,902	5.0%	722,023	11.0%
Worcester	1,270	12.8%	\$57,795	18.7%	798,552	12.2%
State Totals	11,522	10.7%	\$235,415	5.5%	6,547,629	100.0%

Map: Change in small business loans dollars by county (2014)



## **SMALL BUSINESS LOANS BY CITY & TOWN**

Compared to the distribution of loans by county, there is somewhat greater variability between the relative distribution of small business loans and total population at the city and town level, due in part to the large number of cities and towns that make up the Massachusetts small business loan market. The state is made up of 351 cities and towns of which 5 have total populations over 100,000, 20 have populations between 50,000 and 100,000, and 326 have populations under 50,000.

The city of Boston, which accounts for 9.4% of the state's population, received \$488.9 million in CRA-reported small business dollars in 2014 and accounted for 11.8% of the total loan dollars, while the cities of Worcester and Springfield, which account for 2.8% and 2.3% of the state's population respectively, received 1.6% and 1.5% of the total loan dollars in the state.

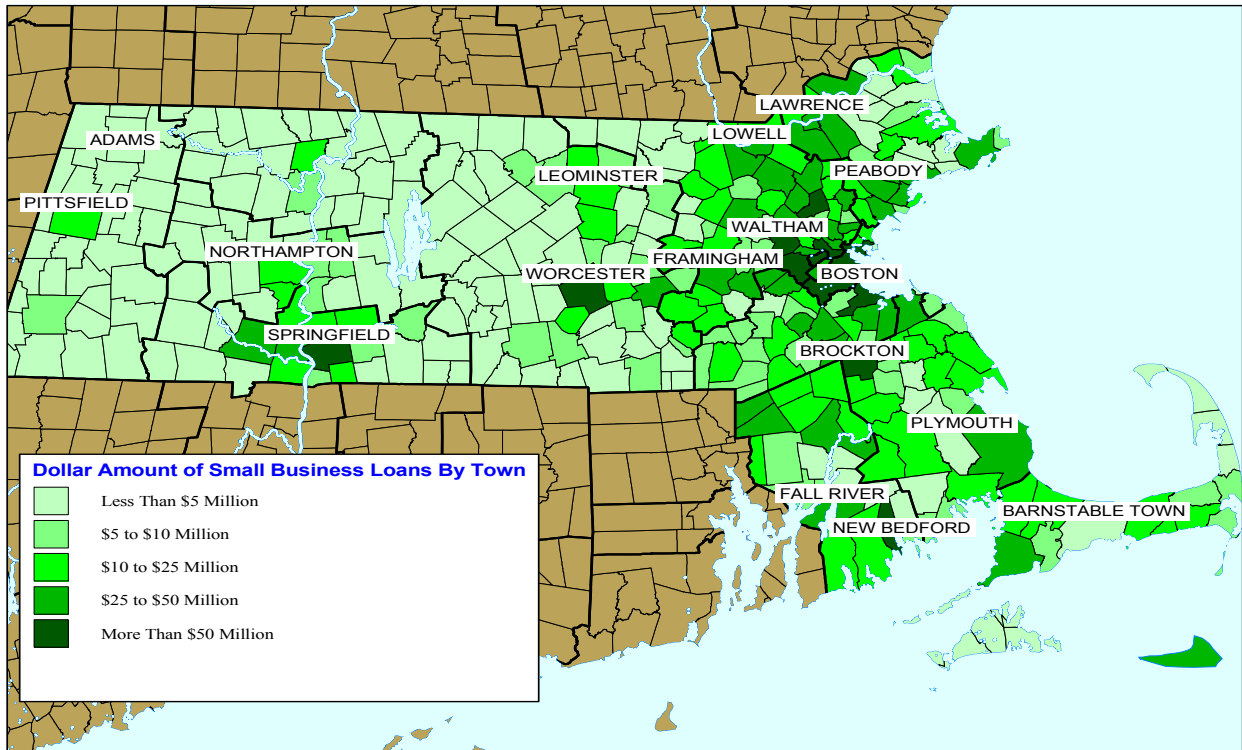
The table below shows the 2014 small business loan volume for the 40 largest cities and towns in Massachusetts sorted by total population. More detailed small business loan data by city and town can be found in the online appendix at [www.mcbsc.info](http://www.mcbsc.info).

TABLE: Small business loan volume by city and town (2014)

	Number of Loans	% of Total	\$ Amount of Loans (\$000s)	% of Total	Total Population	% of Total
Boston	11,455	9.7%	\$488,906	11.8%	617,594	9.4%
Worcester	2,138	1.8%	\$68,333	1.6%	181,045	2.8%
Springfield	1,468	1.2%	\$61,251	1.5%	153,060	2.3%
Lowell	957	0.8%	\$27,216	0.7%	106,519	1.6%
Cambridge	2,658	2.2%	\$97,873	2.4%	105,162	1.6%
New Bedford	1,083	0.9%	\$55,593	1.3%	95,072	1.5%
Brockton	1,163	1.0%	\$54,432	1.3%	93,810	1.4%
Quincy	1,654	1.4%	\$51,971	1.3%	92,271	1.4%
Lynn	769	0.6%	\$40,156	1.0%	90,329	1.4%
Fall River	919	0.8%	\$45,032	1.1%	88,857	1.4%
Newton	2,516	2.1%	\$78,471	1.9%	85,146	1.3%
Lawrence	704	0.6%	\$37,011	0.9%	76,377	1.2%
Somerville	1,218	1.0%	\$41,654	1.0%	75,754	1.2%
Framingham	1,447	1.2%	\$46,823	1.1%	68,318	1.0%
Haverhill	732	0.6%	\$28,367	0.7%	60,879	0.9%
Waltham	1,451	1.2%	\$67,487	1.6%	60,632	0.9%
Malden	905	0.8%	\$32,397	0.8%	59,450	0.9%
Brookline	1,395	1.2%	\$40,679	1.0%	58,732	0.9%
Plymouth	1,136	1.0%	\$43,511	1.0%	56,468	0.9%
Medford	947	0.8%	\$27,978	0.7%	56,173	0.9%
Taunton	666	0.6%	\$25,680	0.6%	55,874	0.9%
Chicopee	577	0.5%	\$21,175	0.5%	55,298	0.8%
Weymouth	794	0.7%	\$29,159	0.7%	53,743	0.8%
Revere	560	0.5%	\$12,625	0.3%	51,746	0.8%
Peabody	957	0.8%	\$38,150	0.9%	51,251	0.8%
Methuen	649	0.5%	\$22,859	0.6%	47,255	0.7%
Barnstable	1,223	1.0%	\$51,918	1.3%	45,193	0.7%
Pittsfield	659	0.6%	\$20,280	0.5%	44,737	0.7%
Attleboro	587	0.5%	\$28,671	0.7%	43,593	0.7%
Arlington	684	0.6%	\$16,711	0.4%	42,844	0.7%
Everett	589	0.5%	\$24,654	0.6%	41,667	0.6%
Salem	851	0.7%	\$35,580	0.9%	41,340	0.6%
Westfield	647	0.5%	\$35,409	0.9%	41,094	0.6%
Leominster	638	0.5%	\$23,851	0.6%	40,759	0.6%
Fitchburg	410	0.3%	\$20,955	0.5%	40,318	0.6%
Billerica	823	0.7%	\$37,979	0.9%	40,243	0.6%
Holyoke	383	0.3%	\$14,845	0.4%	39,880	0.6%
Beverly	879	0.7%	\$30,708	0.7%	39,502	0.6%
Marlborough	718	0.6%	\$31,135	0.8%	38,499	0.6%
Woburn	1,277	1.1%	\$57,562	1.4%	38,120	0.6%

The following map shows that small business loan dollars in Massachusetts in 2014 continue to be relatively concentrated around the state's urban centers and the I-495/Route 128 high-tech corridor.

MAP: Small business loan dollars by city and town (2014)



When measured at the city and town level, Massachusetts small business lending volume can vary dramatically from year to year due in part to the large number of cities and towns that make up the state as well as the wide geographic distribution of the state's population and businesses.

Of the ten most populated cities in the Commonwealth, three cities experienced strong increases in small business loan dollars in 2014 (Fall River, Lynn, and New Bedford), while three cities experienced modest increases (Boston, Cambridge, and Worcester), and four cities experienced declines (Brockton, Lowell, Quincy, and Springfield). The table below shows the 2014 change in small business loan volume for the 40 largest cities and towns in Massachusetts sorted by total population. More detailed small business loan data by city and town can be found in the online appendix at [www.mcbe.info](http://www.mcbe.info).

TABLE: Change in small business loans by city and town (2014)

	2014 Change in Number of Loans	% Change	2014 Change in \$ Amount of Loans (\$000s)	% Change	Total Population	% of Total
Boston	1,196	11.7%	\$25,938	5.6%	617,594	9.4%
Worcester	148	7.4%	\$3,411	5.3%	181,045	2.8%
Springfield	32	2.2%	-\$9,133	-13.0%	153,060	2.3%
Lowell	87	10.0%	-\$5,278	-16.2%	106,519	1.6%
Cambridge	347	15.0%	\$5,518	6.0%	105,162	1.6%
New Bedford	110	11.3%	\$5,263	10.5%	95,072	1.5%
Brockton	158	15.7%	-\$4,771	-8.1%	93,810	1.4%
Quincy	171	11.5%	-\$2,401	-4.4%	92,271	1.4%
Lynn	78	11.3%	\$9,767	32.1%	90,329	1.4%
Fall River	77	9.1%	\$4,210	10.3%	88,857	1.4%
Newton	161	6.8%	\$4,715	6.4%	85,146	1.3%
Lawrence	121	20.8%	\$8,260	28.7%	76,377	1.2%
Somerville	224	22.5%	\$2,436	6.2%	75,754	1.2%
Framingham	326	29.1%	\$2,252	5.1%	68,318	1.0%
Haverhill	89	13.8%	\$7,728	37.4%	60,879	0.9%
Waltham	121	9.1%	\$5,323	8.6%	60,632	0.9%
Malden	147	19.4%	\$799	2.5%	59,450	0.9%
Brookline	96	7.4%	-\$1,958	-4.6%	58,732	0.9%
Plymouth	150	15.2%	-\$2,499	-5.4%	56,468	0.9%
Medford	128	15.6%	\$620	2.3%	56,173	0.9%
Taunton	49	7.9%	\$1,308	5.4%	55,874	0.9%
Chicopee	30	5.5%	-\$3,400	-13.8%	55,298	0.8%
Weymouth	57	7.7%	-\$88	-0.3%	53,743	0.8%
Revere	150	36.6%	\$978	8.4%	51,746	0.8%
Peabody	73	8.3%	\$1,591	4.4%	51,251	0.8%
Methuen	68	11.7%	\$678	3.1%	47,255	0.7%
Barnstable	108	9.7%	-\$2,195	-4.1%	45,193	0.7%
Pittsfield	-89	-11.9%	-\$15,303	-43.0%	44,737	0.7%
Attleboro	59	11.2%	\$3,361	13.3%	43,593	0.7%
Arlington	63	10.1%	\$4,814	40.5%	42,844	0.7%
Everett	103	21.2%	\$6,027	32.4%	41,667	0.6%
Salem	94	12.4%	-\$747	-2.1%	41,340	0.6%
Westfield	69	11.9%	\$3,799	12.0%	41,094	0.6%
Leominster	103	19.3%	\$6,396	36.6%	40,759	0.6%
Fitchburg	64	18.5%	\$3,466	19.8%	40,318	0.6%
Billerica	43	5.5%	-\$1,650	-4.2%	40,243	0.6%
Holyoke	2	0.5%	-\$4,202	-22.1%	39,880	0.6%
Beverly	105	13.6%	\$5,893	23.7%	39,502	0.6%
Marlborough	65	10.0%	\$7,172	29.9%	38,499	0.6%
Woburn	35	2.8%	-\$4,732	-7.6%	38,120	0.6%

## **SECTION II**

**SMALL BUSINESS LENDING IN TRADITIONALLY UNDERSERVED AREAS:**

**A CRA PERSPECTIVE**

## **INCOME LEVEL, RACE, & BUSINESS DEMOGRAPHICS**

The intent of the federal CRA law is to encourage depository institutions to help meet the credit needs of the residents and small businesses in the communities in which they operate, particularly low and moderate income neighborhoods, consistent with safe and sound business operations. Since the CRA law places a specific emphasis on the distribution of loans by income level, lending performance is generally evaluated in the context of the demographic characteristics of a particular geographic area. While the CRA law does not specifically address the race of borrowers, a subject that is formally covered by federal fair lending laws, this report analyzes the distribution of small business loans by both the census tract income level and the racial composition of local communities.

Census tract income level classifications are periodically updated by the FFIEC to reflect changes in the boundaries, demographics, and income characteristics of MSAs and census tracts across the country, which can make it difficult to interpret changes in small business lending patterns. The FFIEC census tract classifications were updated with the 2014 CRA data to reflect recent changes in MSA boundaries and median family income figures in many parts of the country including Massachusetts.

Based on the 2014 income level classifications, there are 164 low income census tracts and 281 moderate income census tracts in Massachusetts which account for 9.2% and 18.0% of the total population of the state. When compared to the income level classifications used with the 2013 CRA data, the combined total number of low and moderate income census tracts declined from 455 census tracts in 2013 to 445 census tracts based on the 2014 CRA data. The change involved a relatively small increase in the number of low income census tracts and a decrease in the number of moderate income census tracts.

TABLE : Population by income level in Massachusetts Based on 2014 Census Data

Census Tract Income Level	Number of Census Tracts	Total Population	% of Total	Minority Population %
Low	164	603,091	9.2%	65.7%
Moderate	281	1,177,106	18.0%	41.3%
Middle	598	2,777,796	42.4%	15.7%
Upper	411	1,979,535	30.2%	12.1%
NA	18	10,101	0.2%	35.6%
Totals	1,472	6,547,629	100.0%	23.9%
Low & Moderate Combined	445	1,780,197	27.2%	49.6%

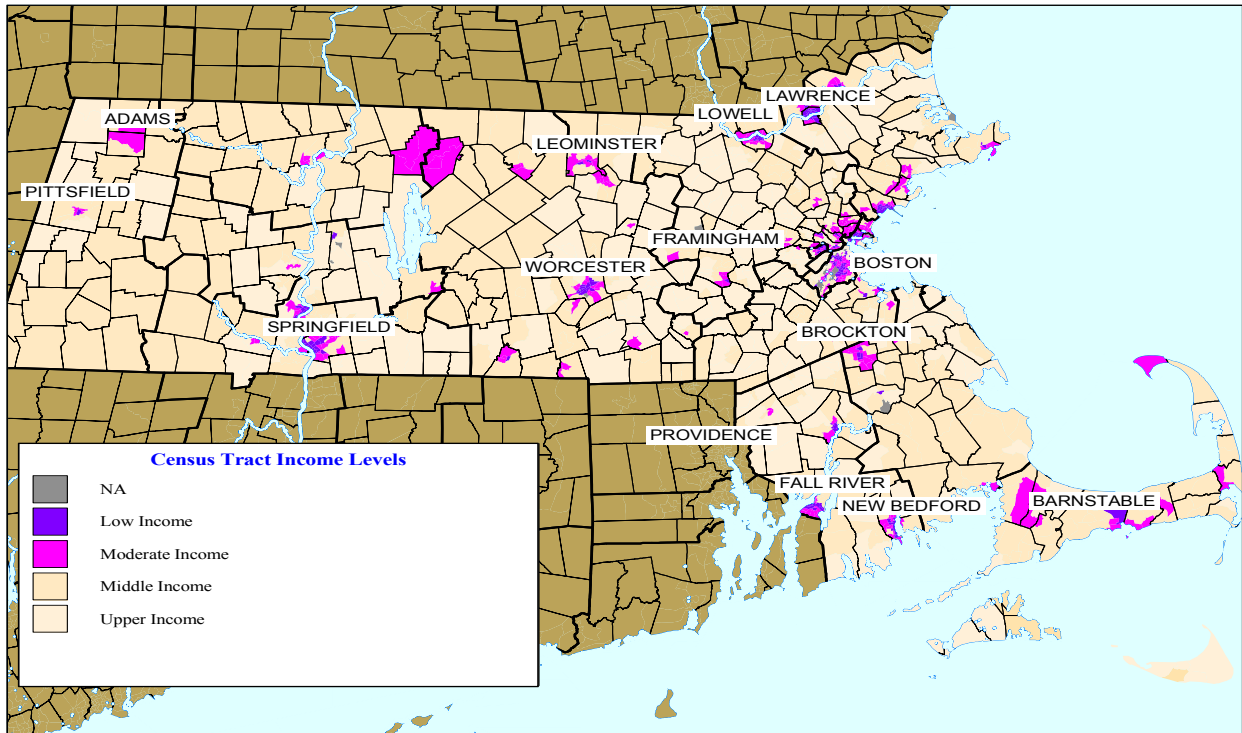
TABLE : Population by income level in Massachusetts Based on 2013 Census Data

Census Tract Income Level	Number of Census Tracts	Total Population	% of Total	Minority Population %
Low	160	584,496	8.9%	64.9%
Moderate	295	1,238,590	18.9%	42.0%
Middle	600	2,800,664	42.8%	15.4%
Upper	399	1,913,778	29.2%	11.9%
NA	18	10,101	0.2%	35.6%
Totals	1,472	6,547,629	100.0%	23.9%
Low & Moderate Combined	455	1,823,086	27.8%	49.3%

Census data has historically shown a strong correlation between race and income level in Massachusetts and across the country: areas with higher minority populations generally have lower income levels. Previous reports published by the MCBC on small business lending have noted a similar correlation between small business lending and income level: lower income areas and high minority areas have generally had lower lending rates than higher income and lower minority areas.

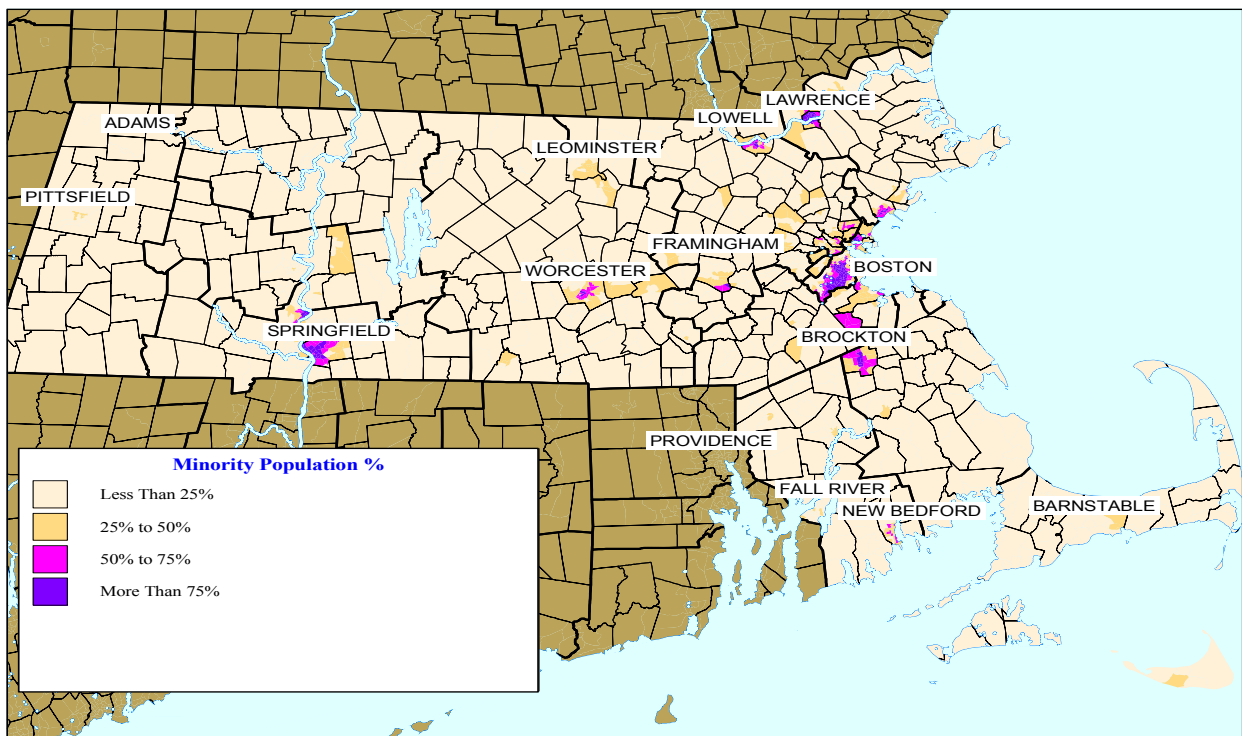
Based on the 2014 FFIEC census data, low income and moderate income areas are spread out over 71 cities and towns across the state, including 25 cities and towns that have both low and moderate income areas.

MAP : Low and moderate income census tracts are shown in shades of purple



The areas of concentration of the state's minority population are shown in the following map.

MAP : High minority census tracts are shown in shades of purple





Based on the 2014 census data, minorities account for approximately 23.9% of the total population of the state. Blacks, Hispanics, and Asians represent the largest minority groups. There are 102 high-minority census tracts across the state where the minority population is more than 75% of the total population of the tract and an additional 412 mixed-race census tracts where the minority population is between 25% and 75% of the total population.

TABLES : Massachusetts population totals by race and neighborhood racial composition (2014)

	Total Population	% of Total		Number of Census Tracts	Total Population	% of Total
Asian	347,495	5.3%	High Minority (> 75% Minority)	102	370,843	5.7%
Black	391,693	6.0%	Mixed-Race	410	1,728,232	26.4%
Hispanic	627,654	9.6%	White (> 75% White)	960	4,448,554	67.9%
Other Race	195,987	3.0%	Total	1,472	6,547,629	100.0%
White	4,984,800	76.1%				
Total	6,547,629	100.0%				
All Minorities Combined	1,562,829	23.9%				

To evaluate whether race is a more important factor than income level in determining lending patterns, this report also utilizes demographic categories that take both income level and race into account as illustrated in the table below. To simplify our analysis, we have combined low and moderate income tracts together as one group and combined middle and upper income tracts together as another group. The demographic data for Massachusetts shows that there are slightly more minority residents living in low and moderate income areas (352,067 or 5.4% of the total population) as there are white residents (336,085 or 5.1% of the total). At the same time, however, the data shows that there are substantially fewer minority residents living in middle and upper income areas.

TABLE : Neighborhood composition by race and income level (2014)

	Number of Census Tracts	Total Population	% of Total
High Minority & Low-Moderate	96	352,067	5.4%
High Minority & Middle-Upper	4	18,336	0.3%
Mixed-Race & Low-Moderate	261	1,092,045	16.7%
Mixed-Race & Middle-Upper	139	631,351	9.6%
White & Low-Moderate	88	336,085	5.1%
White & Middle-Upper	866	4,107,644	62.7%
Not Available	18	10,101	0.2%
Totals	1,472	6,547,629	100.0%

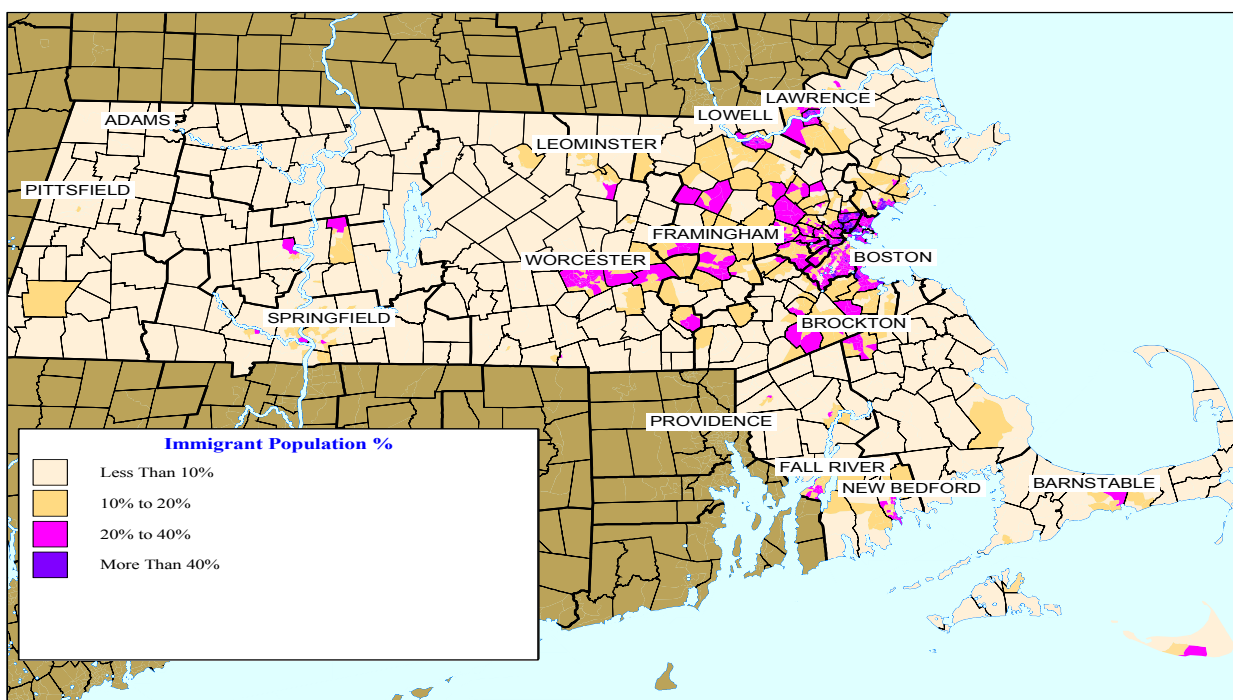
This report also includes a review of lending in communities with large immigrant populations. Unlike most native-born business owners, foreign-born business owners are more likely to face cultural and language barriers which may limit their access to credit. According to the Census Bureau there are 41.3 million immigrants living in the United States representing 13.0% of the total population of the country. In Massachusetts foreign-born residents account for 15.0% of the total population of the state and represent more than 40% of the local population in 58 census tracts covering 13 cities and towns in the greater Boston area, while many more communities in the state have immigrant populations of between 20% and 40% of the total.

TABLE : Neighborhood composition by immigrant status (2014)

Immigrant Population as % of Local Population	Number Census of Tracts	Immigrant Population	% of Local Population
Less Than 10%	638	161,710	5.5%
10% to 20%	403	257,368	14.3%
20% to 40%	373	452,570	27.8%
More Than 40%	58	120,060	47.3%
Totals	1,472	991,708	15.0%

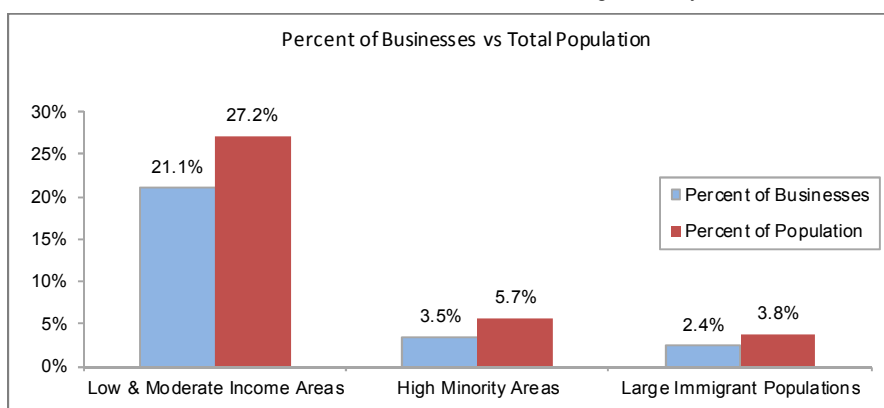
The areas of concentration of the state's immigrant population are shown in the following map.

MAP : Communities with the largest immigrant populations are shown in shades of purple



It is important to note that the distribution of businesses across the state does not always mirror the demographic characteristics of the local population. According to Dunn & Bradstreet, a leading source of business demographic data, low and moderate income census tracts in Massachusetts account for 27.2% of the total population, but are home to just 21.1% of the businesses in the state. Similarly, census tracts with high minority populations account for 5.7% of the total population but just 3.5% of the business establishments while communities with large immigrant populations account for 3.8% of the population but just 2.4% of business establishments.

CHART: Distribution of businesses in lower income areas and high minority areas

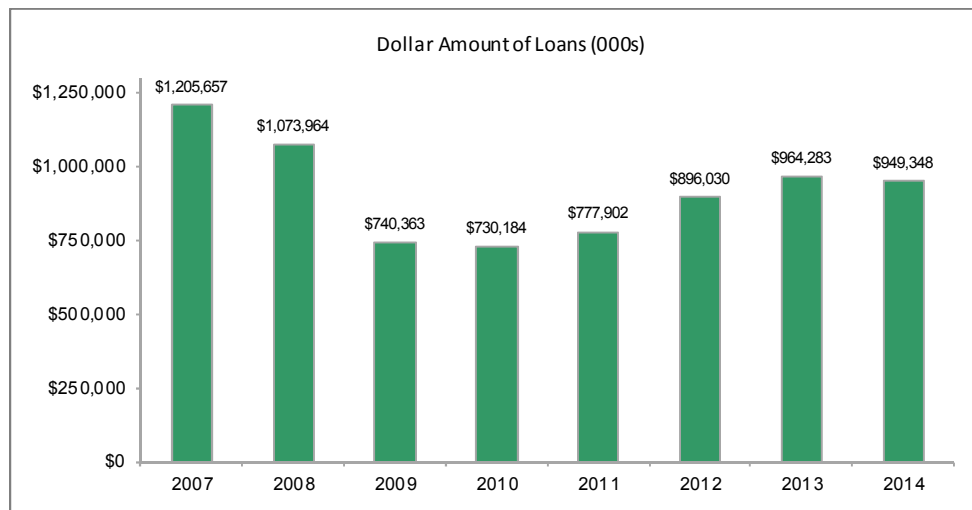
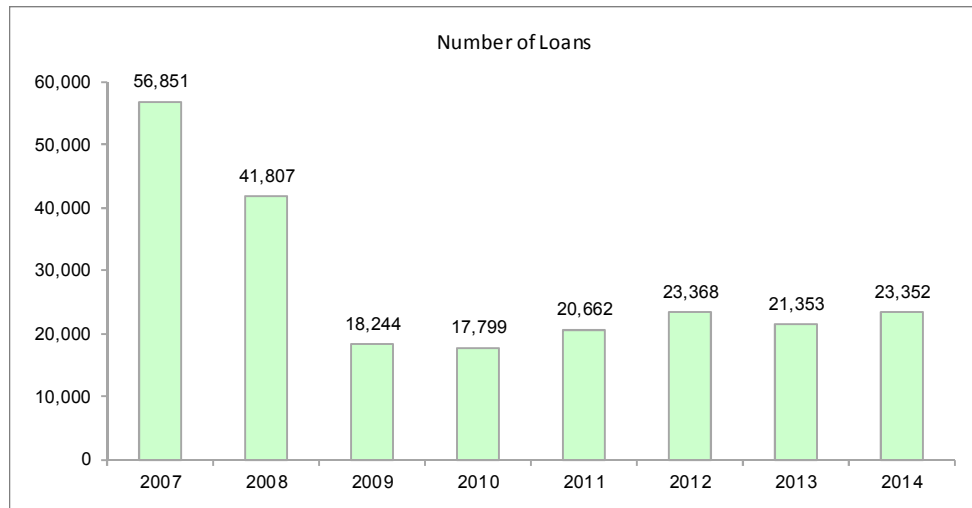


To facilitate comparisons between geographic areas and across demographics lines, this section of the report also includes an analysis of lending rates, measured in the amount of loans per 100 firms, which provides a mechanism for evaluating the extent to which various demographic characteristics influence lending patterns. As an example, a finding that the lending rates in high minority, lower income census tracts significantly diverge from the lending rates in white, lower income census tracts, would tend to indicate that the racial makeup of the community could potentially be a more important factor than the income level of the neighborhood.

## SMALL BUSINESS LENDING IN LOWER INCOME AREAS

**Businesses in low and moderate income census tracts in Massachusetts received a total of 23,352 small business loans in 2014 for \$949.3 million, which represents an increase in terms of the number of loans compared to the previous year but a decrease in terms of the dollar amount of loans.** While small business loan dollars in low and moderate income census tracts have increased moderately over the past several years, they remain well below the highs achieved in 2007 prior to the recent financial crisis.

CHARTS: Small business lending in lower income areas increased in Massachusetts in terms of the number of loans 2014 but declined in terms of the dollar amount of loans



**Low and moderate income census tracts in Massachusetts continued to receive a somewhat smaller share of small business loans in 2014 than one might expect given the local demographics.** Low and moderate income census tracts, which account for 27.2% of the total population of Massachusetts, received 19.6% of the total number of CRA-reported small business loans in the state in 2014 and 21.1% of the total loan dollars. While these percentages fall short of the levels one might expect given the size of population that live in low and moderate income tracts, they are essentially in line with the results of other New England states and the US as a whole.

TABLE : Small business loans in low and moderate income census tracts by state (2014)

	Number of Loans in Low & Moderate Census Tracts	% of Total	\$ Amount of Loans in Low & Moderate Census Tracts (000s)	% of Total	Total Population in Low & Moderate Census Tracts	% of Total
Massachusetts	23,352	19.6%	\$949,348	21.1%	1,780,197	27.2%
Connecticut	14,307	20.6%	\$566,350	24.2%	1,041,215	29.1%
Maine	3,315	13.5%	\$189,764	15.8%	178,918	13.5%
New Hampshire	3,980	16.8%	\$152,691	19.1%	266,062	20.2%
Rhode Island	3,723	22.4%	\$184,803	24.3%	313,315	29.8%
Vermont	1,622	15.0%	\$69,640	15.6%	113,171	18.1%
Totals	50,299	19.0%	\$2,112,596	21.0%	3,692,878	25.6%
Memo: US Total	1,153,631	21.2%	\$50,824,275	24.4%	84,792,810	27.1%

TABLE : Small business loans in Massachusetts by income level (2014)

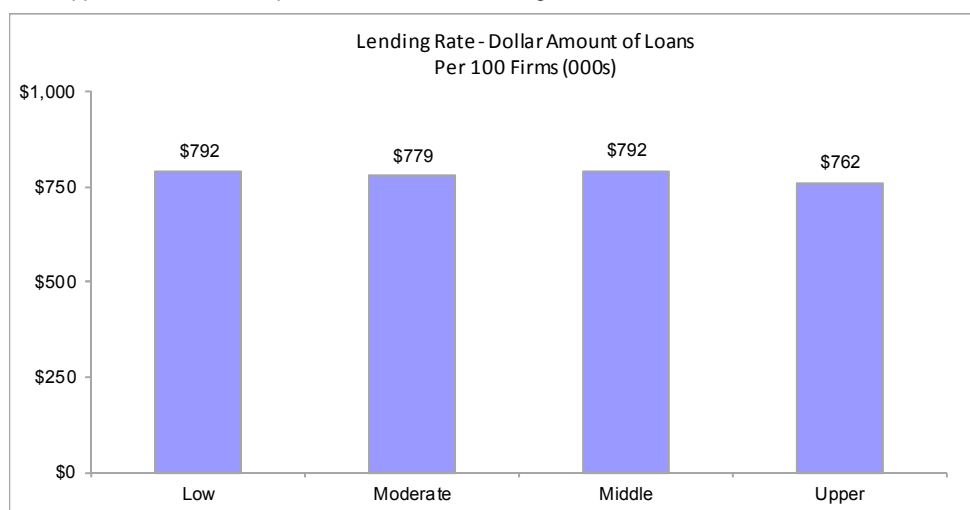
	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total	Total Population	% of Total
Low	7,665	6.4%	\$345,100	7.7%	603,091	9.2%
Moderate	15,687	13.2%	\$604,248	13.4%	1,177,106	18.0%
Middle	48,849	41.1%	\$1,856,812	41.2%	2,777,796	42.4%
Upper	44,605	37.5%	\$1,653,480	36.7%	1,979,535	30.2%
NA	2,144	1.8%	\$42,300	0.9%	10,101	0.2%
Totals	118,950	100.0%	\$4,501,940	100.0%	6,547,629	100.0%
Memo: Low & Moderate	23,352	19.6%	\$949,348	21.1%	1,780,197	27.2%

Note: The category "NA" includes small business loans where the CRA reporter did not record the census tract location of the loan

As previously noted, since lending rates utilize a combination of loan volume and the number of firms, they can be used to compare small business lending activity within a given geographic area or across different geographic areas regardless of population characteristics or other demographic factors. While loan volume can be dramatically affected by population changes and demographic shifts that occur over time the use of lending rates tends to neutralize such effects and provide a preferred mechanism for performing geographic or demographic comparisons.

**The lowest lending rates in Massachusetts, measured in the amount of loan dollars per 100 firms, were recorded in upper income communities in 2014 for the third consecutive year although the lending rates between income groups fell within a relatively narrow range of values.** Low and moderate income census tracts received an aggregate \$792,000 and \$779,000 per 100 businesses respectively, while middle and upper income census tracts in Massachusetts received an aggregate \$792,000 and \$762,000 per 100 businesses. The 2014 results represent the third time in the past seven years when the lowest overall lending rates were not in low or moderate income census tracts.

TABLE : The highest lending rates in Massachusetts were recorded in low and middle income areas in 2014 while upper income areas experienced the lowest lending rates

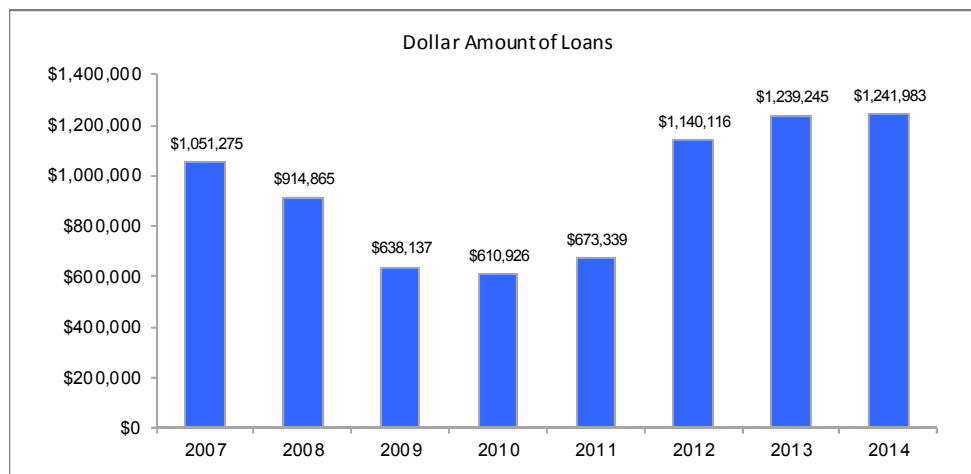
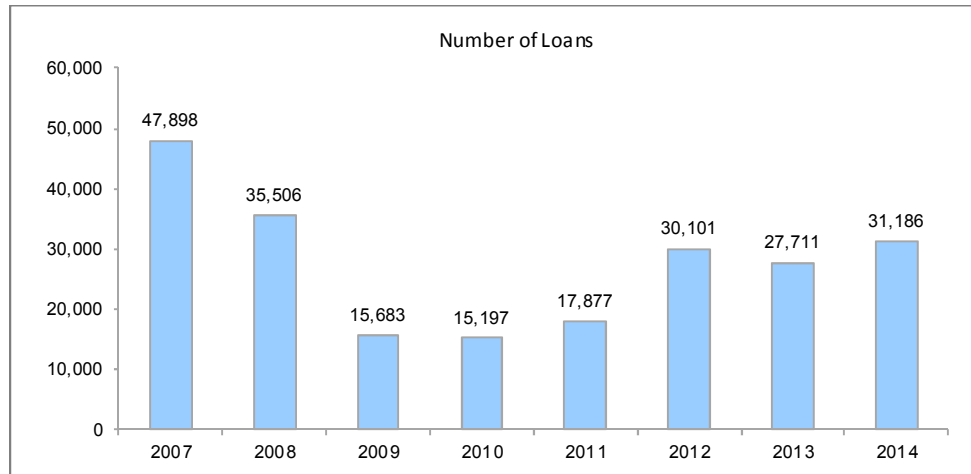


	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	2014 Change in Lending Rate
Low	\$792	100.8%	-4.3%
Moderate	\$779	99.2%	5.5%
Middle	\$792	100.9%	5.3%
Upper	\$762	97.1%	7.9%
Totals	\$785	100.0%	5.5%
Memo: Low & Moderate Areas	\$783	99.8%	1.9%

## **SMALL BUSINESS LENDING IN HIGH MINORITY AREAS**

**The overall dollar volume of loans in high minority and mixed-race neighborhoods in Massachusetts has increased over each of the past three years and now surpasses the highs achieved prior to the recent financial crisis.** Businesses in high minority and mixed-race communities across the state received a reported 31,186 small business loans for \$1.2 billion in 2014, compared to the previous year when such businesses reported 27,711 loans for \$1.2 billion.

CHARTS: The number and dollar volume of small business loans in high minority census tracts and mixed-race census tracts in Massachusetts increased in 2014



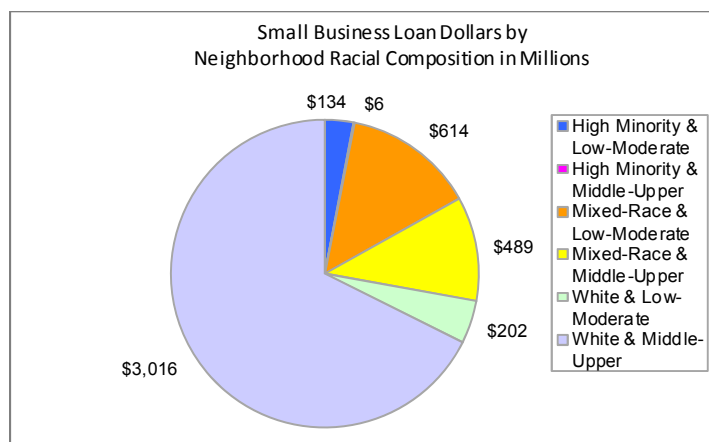
The lower income communities with the highest minority populations in Massachusetts received 3,096 small business loans in 2014 for \$133.7 million, which represents 2.6% of the total number of loans and 3.0% of the dollar amount of loans. Lower income mixed-race communities received 15,109 loans for \$614.1 million, representing 13.6% of the number of loans and 16.7% of the dollar amount of loans. While most neighborhood categories received less small business loans than one might expect given their total share of the state's total population, only higher income mixed race and white communities received larger shares of loan dollars in 2014 compared to their shares of the state's total population.

TABLE : Most neighborhood categories received a smaller share of loans dollars in 2014 than one might expect given their share of the state's total population, except higher income mixed race and white neighborhoods which received larger shares

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total	Total Population	% of Total
High Minority & Low-Moderate	3,096	2.6%	\$133,684	3.0%	352,067	5.4%
High Minority & Middle-Upper	108	0.1%	\$5,713	0.1%	18,336	0.3%
Mixed-Race & Low-Moderate	15,109	12.7%	\$614,051	13.6%	1,092,045	16.7%
Mixed-Race & Middle-Upper	12,873	10.8%	\$488,535	10.9%	631,351	9.6%
White & Low-Moderate	5,147	4.3%	\$201,613	4.5%	336,085	5.1%
White & Middle-Upper	80,473	67.7%	\$3,016,044	67.0%	4,107,644	62.7%
NA	2,144	1.8%	\$42,300	0.9%	10,101	0.2%
Totals	118,950	100.0%	\$4,501,940	100.0%	6,547,629	100.0%

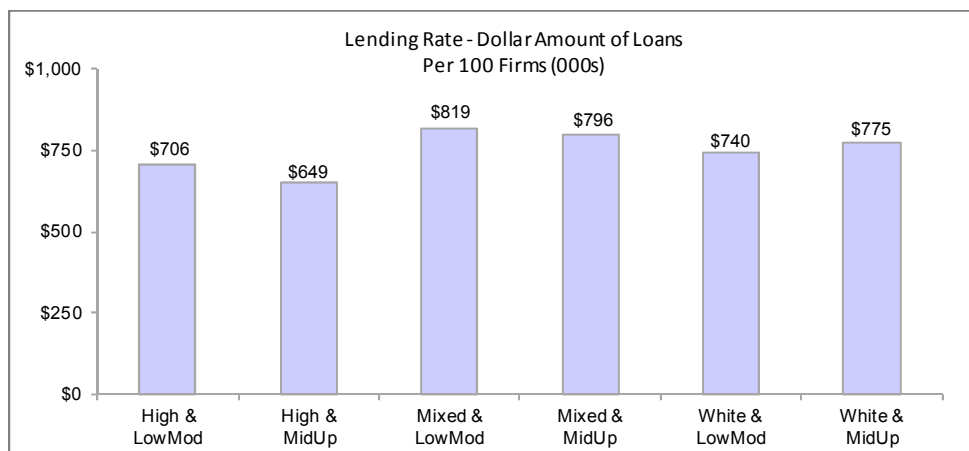
Note: The category "NA" includes small business loans where the CRA reporter did not record the census tract location of the loan

CHART : The lower income communities in Massachusetts with the highest minority populations received \$134 million in small business loans in 2014



**The lowest lending rates in Massachusetts were recorded in high minority communities in 2014 in contrast the previous year when the lowest lending rates were in white communities.** High minority census tracts in lower income areas in Massachusetts received \$706,000 per 100 businesses while high minority census tracts in middle and upper income areas in Massachusetts, which account for just a handful of census tracts, received \$649,000 per 100 businesses. In comparison, lower income white communities received an average \$740,000 per 100 businesses while middle and upper income white communities received \$775,000. Lower income minority neighborhoods in Massachusetts have experienced lower lending rates than lower income white neighborhoods in seven of the past eight years.

CHART & TABLE: The lowest lending rates were recorded in high minority areas in 2014



	Lending Rate Per 100 Firms (000s)	% of Overall Lending Rate	2014 Change in Lending Rate
High Minority & Low-Moderate	\$706	89.9%	-10.9%
High Minority & Middle-Upper	\$649	82.7%	-18.3%
Mixed-Race & Low-Moderate	\$819	104.3%	3.1%
Mixed-Race & Middle-Upper	\$796	101.4%	0.4%
White & Low-Moderate	\$740	94.3%	8.6%
White & Middle-Upper	\$775	98.7%	7.4%
Totals	\$785	100.0%	5.5%

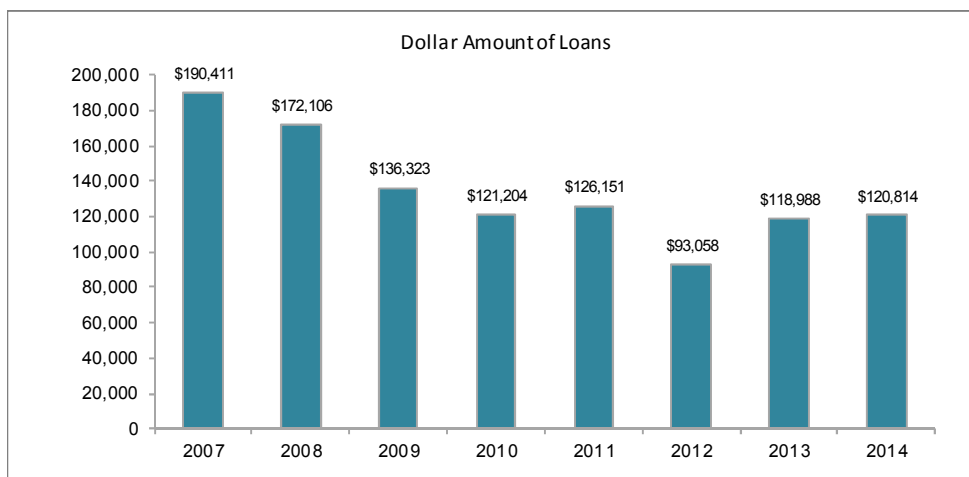
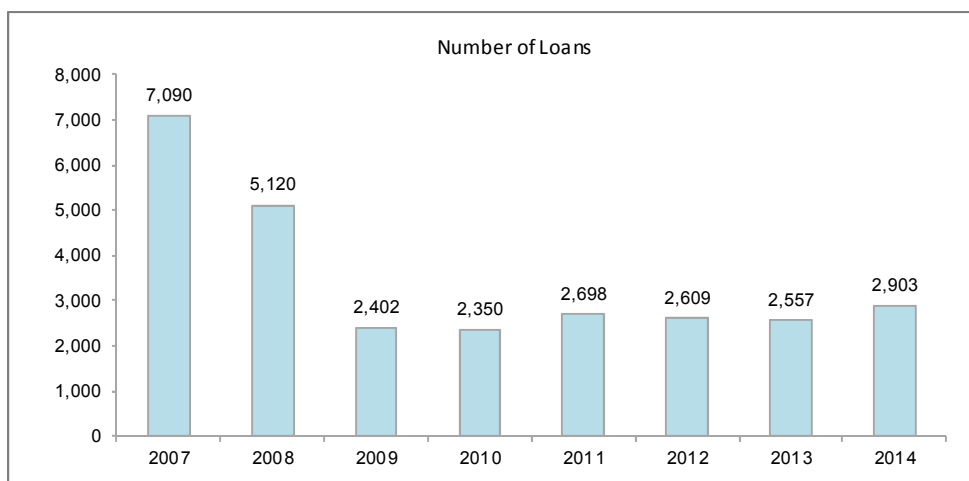
Readers are urged to use caution when interpreting the findings discussed in this report, given the strong correlation between high minority populations and low income levels and the relatively small number of high minority census tracts in the state (102 tracts out of 1,472 total tracts in the state).



## **SMALL BUSINESS LENDING IN COMMUNITIES WITH LARGEST IMMIGRANT POPULATIONS**

**The overall dollar volume of small business loans in communities in Massachusetts with the largest immigrant populations has recovered from the lows reached in the aftermath of the recent financial crisis but remains well below recent highs.** Businesses in communities where the immigrant populations is 40% or more of the local population, which includes neighborhoods in just over a dozen towns around the greater Boston area, received 2,903 small business loans for \$120.8 million in 2014, compared to the previous year when such businesses received 2,557 loans for \$119.0 million.

CHARTS: The number and dollar volume of small business loans in communities with the largest immigrant populations have yet to significantly recover from recent lows



**Despite the decline in loan volume, the lending rate per 100 firms that are located in neighborhoods with the large immigrant populations exceeded the lending rate in communities with the lowest immigrant populations in 2014 marking the fifth year out of the past eight years when this has occurred.** Businesses in communities with the largest immigrant populations in Massachusetts received \$864,000 per 100 firms in 2014, compared to \$797,000 per 100 firms in neighborhoods where the immigrant populations is less than 10% of the local population.

As was the case with the previous section on lending in high minority areas, readers are urged to use caution when interpreting these findings given the relatively small number of census tracts (58 tracts out of 1,472 total tracts in the state) where the immigrant population is 40% or more of the total population.

## **SBA LOANS TO UNDERSERVED BORROWERS**

While the annual CRA loan data allows for an analysis of the geographic distribution of lending patterns such as lending in lower income areas and high minority areas, the data does not provide detailed application information about the race, gender, or other characteristics of the loan applicant.

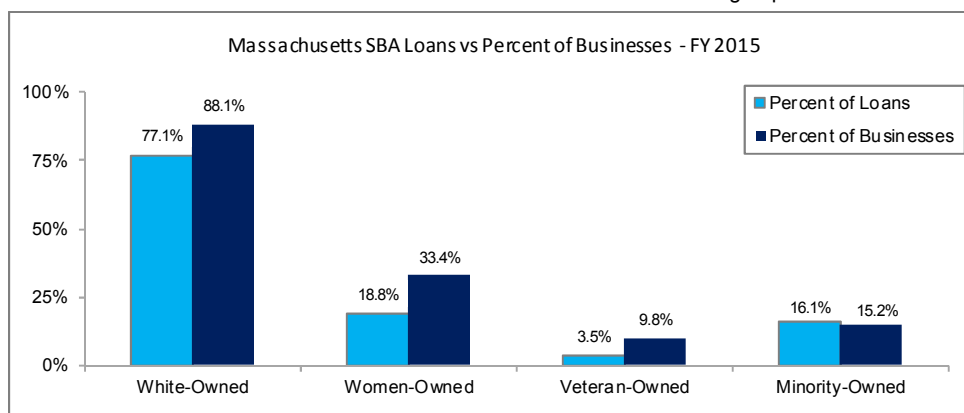
This critical gap in the data is filled to a limited extent by the Small Business Administration which actively monitors its lending to traditionally underserved businesses including those described as minority-owned, women-owned, and veteran-owned businesses. In Massachusetts, the data shows that SBA loans to minority-owned business increased by 17.0% during the twelve months ended September 30, 2015 while loans to veteran-owned businesses increased by 12.0%, and loans to women-owned businesses increased by 2.3%. In comparison, loans to white-owned businesses increased by 7.9% during the same period. Data on loans to immigrant-owned businesses was not available.

TABLE : Massachusetts SBA loans by type of borrower

Type of Borrower	Number of Loans FY 2015	% of Total	Number of Loans FY 2014	% of Total	Change in Loan Volume
Minority-Owned	419	16.2%	358	15.4%	17.0%
Women-Owned	487	18.8%	476	20.5%	2.3%
Veteran-Owned	93	3.5%	83	3.6%	12.0%
White-Owned	1,997	77.1%	1,850	79.5%	7.9%
All Loans	2,591	100.0%	2,327	100.0%	11.3%

A comparison of the percent of Massachusetts SBA loans compared to the percentage of businesses shows that SBA lenders in Massachusetts made slightly more loans to minority-owned businesses than one might expect given the business demographics while making somewhat less loans than one might expect to women-owned businesses and veteran-owned businesses. White-owned businesses in Massachusetts also received a smaller share compared to their contribution to the total number of businesses in the state.

CHART : Minority-owned businesses in Massachusetts received a higher share of SBA loans compared to their contribution to the total number of businesses in the state while other groups received less

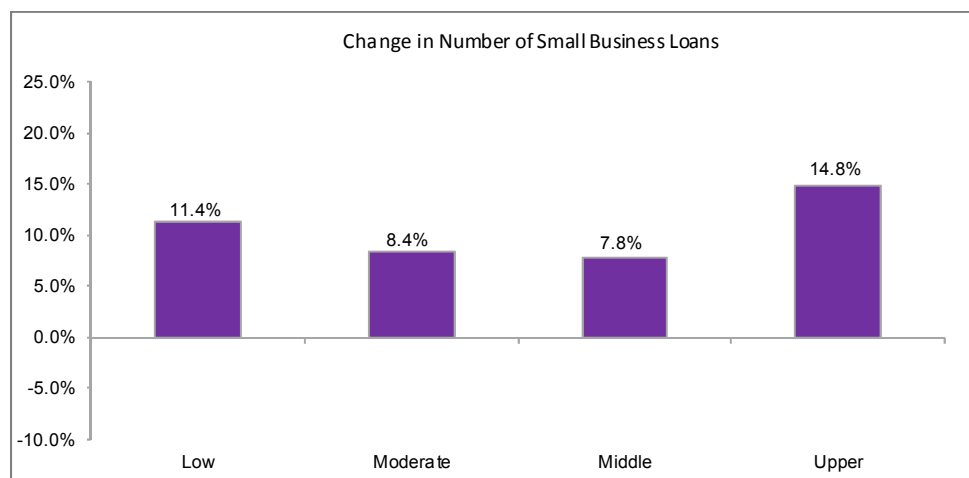
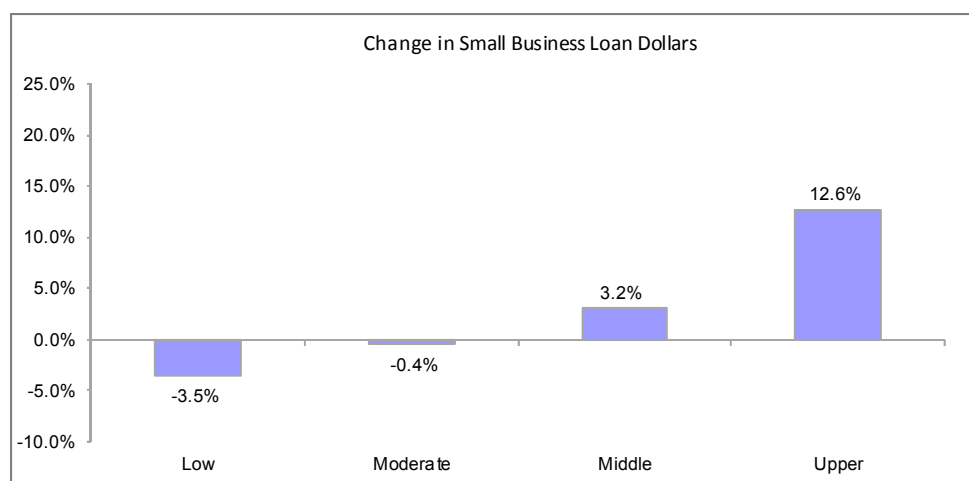


The availability of training and technical assistance is an important part of improving access to credit, particularly for underserved borrowers and new business owners. Such assistance is commonly offered through local nonprofit community development corporations and in conjunction with local SBA offices, and consists of assistance in developing business plans, budgets, and financial statements to help their businesses succeed and improve their chances of qualifying for a business loan from a traditional lender. The Massachusetts office of the SBA estimates that it has provided technical assistance to over 19,000 new entrepreneurs and business owners in coordination with other providers during the twelve months ended September 30, 2015.

## **SMALL BUSINESS LOAN GROWTH**

**Low and moderate income areas in Massachusetts experienced relatively small declines in small business loan dollars in 2014, while middle and upper income areas experienced increases.** Low and moderate income census tracts in Massachusetts experienced overall declines of 3.5% and 0.4% in small business loan dollars from 2013 to 2014 while middle and upper income census tracts experienced increases of 3.2% and 12.6%.

TABLE & CHART: Low income census tracts experienced the largest increase in small business loan dollars in 2014

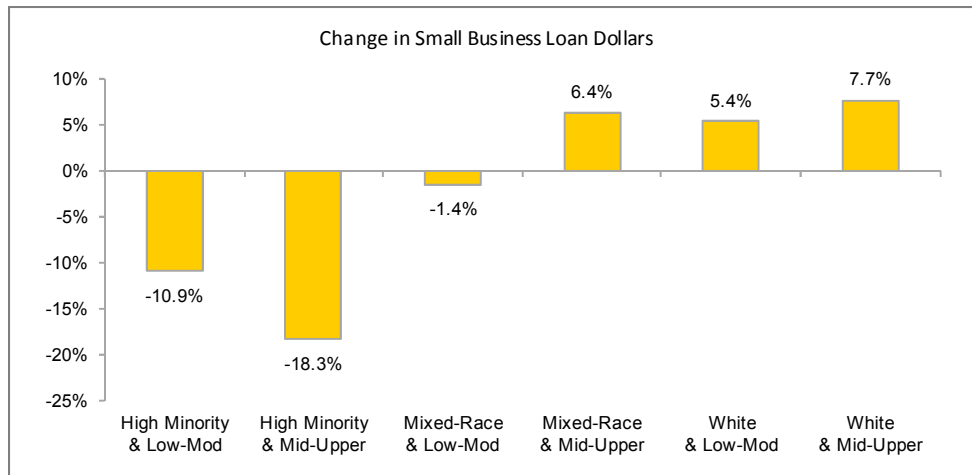


	2014 Change in Number of Loans	% Change	2014 Change in \$ Amount of Loans	% Change
Low	784	11.4%	-\$12,678	-3.5%
Moderate	1,215	8.4%	-\$2,257	-0.4%
Middle	3,546	7.8%	\$57,521	3.2%
Upper	5,759	14.8%	\$185,301	12.6%
NA	218	11.3%	\$7,528	21.6%
Totals	11,522	10.7%	\$235,415	5.5%
Memo: Low & Moderate	1,999	9.4%	-\$14,935	-1.5%

Note: The category "NA" includes small business loans where the CRA reporter did not record the census tract location of the loan

When the racial composition of the area is also taken into consideration, the 2014 CRA data shows that lower income neighborhoods in high minority areas experienced a 10.9% decline in small business loan volume from 2013 to 2014, while lower income neighborhoods in mixed-race experienced a 1.4% decline, and lower income neighborhoods in white communities experienced a 7.7% increase.

CHART & TABLE: High minority communities in Massachusetts experienced a large decline in small business loan volume from 2013 to 2014 compared to other areas



	2014 Change in Number of Loans	% Change	2014 Change in \$ Amount of Loans	% Change
High Minority & Low-Moderate	278	9.9%	-\$16,384	-10.9%
High Minority & Middle-Upper	-13	-10.7%	-\$1,277	-18.3%
Mixed-Race & Low-Moderate	1,432	10.5%	-\$8,869	-1.4%
Mixed-Race & Middle-Upper	1,778	16.0%	\$29,268	6.4%
White & Low-Moderate	289	5.9%	\$10,318	5.4%
White & Middle-Upper	7,540	10.3%	\$214,831	7.7%
NA	218	11.3%	\$7,528	21.6%
Totals	11,522	10.7%	\$235,415	5.5%

Note: The category "NA" includes small business loans where the CRA reporter did not record the census tract location of the loan

The slow recovery from the recent financial crisis has placed additional pressures on all communities across the state, particularly lower income neighborhoods and high minority areas. The economic revitalization of these traditionally underserved communities depends to a large extent on an extended recovery in small business lending and continued reduction in lending gaps.

## STATE RANKINGS - CRA LOANS IN LOW & MODERATE INCOME AREAS

When compared to other states, the national CRA data shows that Massachusetts experienced smaller percentage increases in the number and dollar amount of loans in low and moderate income areas than many states in 2014. Massachusetts, which has the 15<sup>th</sup> largest population in the country living in low and moderate income areas, ranked 29<sup>th</sup> in terms of the largest percentage increase in loan dollars from 2013 to 2014 and 23<sup>rd</sup> in terms of the percentage change in the number of loans. The national CRA data also shows that 49 states experienced increases in the number of loans in lower income areas from 2013 to 2014 while 22 states experienced increases in the dollar amount of loans.

TABLE: CRA loans in low and moderate income areas by state sorted by low and moderate population (2014)

	Number of Loans	Rank	% Change in Number of Loans	Rank	\$ Amount of Loans (000s)	Rank	% Change in \$ Amount of Loans	Rank	Total Population	Rank
California	203,305	1	16.5%	4	\$7,382,584	1	6.2%	10	12,384,098	1
Texas	100,367	2	14.3%	7	\$4,399,921	2	1.9%	20	8,019,823	2
New York	93,560	3	30.9%	1	\$2,817,503	4	16.0%	4	6,340,139	3
Florida	89,009	4	17.8%	2	\$3,040,105	3	4.5%	13	5,086,985	4
Illinois	36,419	6	12.0%	15	\$1,789,201	7	-0.9%	27	3,627,745	5
Ohio	32,065	8	3.2%	40	\$1,988,417	5	-0.2%	24	2,959,569	6
Pennsylvania	31,634	9	12.1%	13	\$1,721,581	8	15.0%	6	2,884,405	7
Georgia	35,752	7	14.1%	8	\$1,677,240	9	5.0%	12	2,712,857	8
Michigan	28,435	12	9.8%	21	\$1,798,129	6	-4.7%	37	2,465,137	9
North Carolina	29,775	11	9.0%	25	\$1,598,549	10	-5.4%	38	2,303,925	10
New Jersey	36,576	5	8.8%	28	\$1,200,118	13	2.5%	18	2,146,594	11
Arizona	23,621	14	9.6%	22	\$1,021,890	16	3.6%	14	2,039,172	12
Virginia	22,519	16	10.4%	20	\$984,269	17	-7.7%	43	1,883,928	13
Maryland	22,019	17	15.0%	6	\$836,718	21	2.3%	19	1,846,621	14
Massachusetts	23,352	15	9.4%	23	\$949,348	18	-1.5%	29	1,780,197	15
Washington	26,891	13	11.8%	16	\$1,343,394	12	-2.4%	32	1,639,658	16
Indiana	16,735	20	6.1%	35	\$1,043,141	15	-7.1%	41	1,630,328	17
Tennessee	17,767	18	2.0%	44	\$1,043,644	14	-10.9%	48	1,556,193	18
Colorado	31,500	10	16.6%	3	\$1,380,704	11	1.7%	21	1,513,575	19
Missouri	17,010	19	2.6%	42	\$943,044	19	-6.8%	39	1,387,168	20
South Carolina	12,997	26	14.0%	9	\$735,205	24	2.9%	17	1,255,676	21
Louisiana	15,794	23	6.3%	33	\$833,202	22	-3.3%	34	1,239,600	22
Alabama	13,236	25	0.0%	49	\$863,803	20	-9.6%	47	1,189,681	23
Wisconsin	12,234	27	0.3%	48	\$647,682	25	-13.6%	50	1,118,015	24
Kentucky	10,782	29	7.9%	30	\$560,540	29	1.3%	22	1,059,901	25
Connecticut	14,307	24	12.0%	14	\$566,350	28	3.0%	16	1,041,215	26
Minnesota	16,017	22	0.9%	46	\$646,841	26	-9.0%	45	1,029,769	27
Oklahoma	11,353	28	9.0%	24	\$633,235	27	5.6%	11	955,284	28
Oregon	16,304	21	8.5%	29	\$737,737	23	-0.3%	25	818,095	29
Nevada	10,533	31	13.7%	10	\$364,564	33	3.3%	15	749,621	30
Mississippi	6,218	37	3.1%	41	\$359,209	36	-3.6%	35	707,682	31
New Mexico	6,287	36	7.8%	31	\$234,632	38	-4.3%	36	656,407	32
Kansas	6,939	33	6.6%	32	\$359,880	34	-7.4%	42	641,142	33
Arkansas	7,650	32	5.9%	36	\$445,776	30	6.8%	9	600,544	34
Utah	10,582	30	9.0%	27	\$442,524	31	-0.6%	26	550,301	35
Iowa	6,504	34	0.6%	47	\$367,446	32	-8.7%	44	504,762	36
Nebraska	4,297	39	6.2%	34	\$233,163	39	-6.9%	40	347,810	37
Hawaii	6,500	35	9.0%	26	\$359,797	35	-1.6%	30	341,940	38
West Virginia	3,258	45	2.5%	43	\$217,259	40	0.0%	23	334,517	39
Washington, DC	3,664	43	13.1%	12	\$135,112	48	8.5%	8	333,066	40
Rhode Island	3,723	42	11.4%	18	\$184,803	44	12.2%	7	313,315	41
Idaho	6,158	38	4.8%	37	\$301,607	37	-2.8%	33	302,639	42
New Hampshire	3,980	40	11.5%	17	\$152,691	46	16.3%	3	266,062	43
Delaware	2,955	46	13.1%	11	\$147,201	47	18.9%	2	219,802	44
Maine	3,315	44	4.3%	38	\$189,764	43	-2.2%	31	178,918	45
Montana	3,804	41	4.3%	39	\$156,616	45	-11.3%	49	176,754	46
Alaska	2,925	47	-1.6%	50	\$132,643	49	-9.2%	46	172,111	47
South Dakota	2,429	49	1.7%	45	\$203,896	42	-0.9%	28	140,582	48
Vermont	1,622	51	-2.0%	51	\$69,640	51	-15.0%	51	113,171	49
Wyoming	2,593	48	15.2%	5	\$108,214	50	20.1%	1	105,918	50
North Dakota	2,332	50	11.0%	19	\$206,718	41	15.7%	5	96,998	51

## THE ROLE OF LOCAL LENDERS

**Local CRA lenders continued to account for the vast majority of small business loans dollars in low and moderate income census tracts in Massachusetts in 2014.** Local CRA lenders made a total of 5,088 loans for \$694.7 million in 2014, while credit card lenders made 15,720 loans for \$123.2 million and other out-of-state lenders made 2,544 loans for \$131.5 million. Local CRA lenders accounted for 73.2% of the small business loan dollars in lower income areas in the state in 2014.

TABLE & CHART: Local lenders accounted for a substantial majority of the small business loan dollars in in lower income areas in 2014

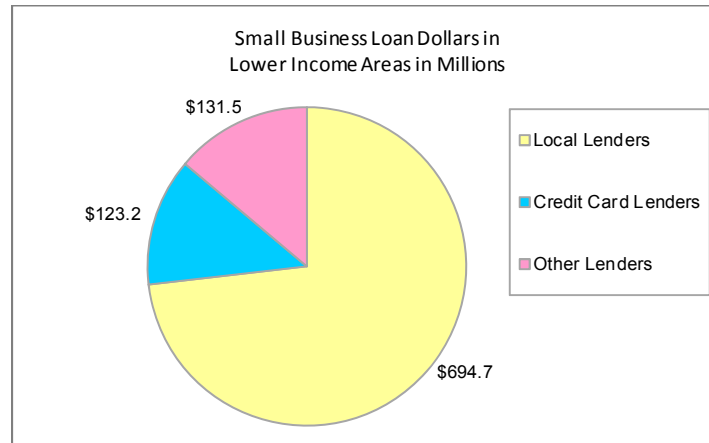


TABLE : Small business loans in lower income areas (2014 CRA data)

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total
Local Lenders	5,088	21.8%	\$694,664	73.2%
Credit Card Lenders	15,720	67.3%	\$123,152	13.0%
Other Lenders	2,544	10.9%	\$131,532	13.9%
Totals	23,352	100.0%	\$949,348	100.0%

TABLE : Small business loans in lower income areas (2013 CRA data)

	Number of Loans	% of Total	\$ Amount of Loans (000s)	% of Total
Local Lenders	4,534	21.2%	\$713,989	74.0%
Credit Card Lenders	14,092	66.0%	\$106,643	11.1%
Other Lenders	2,727	12.8%	\$143,651	14.9%
Totals	21,353	100.0%	\$964,283	100.0%

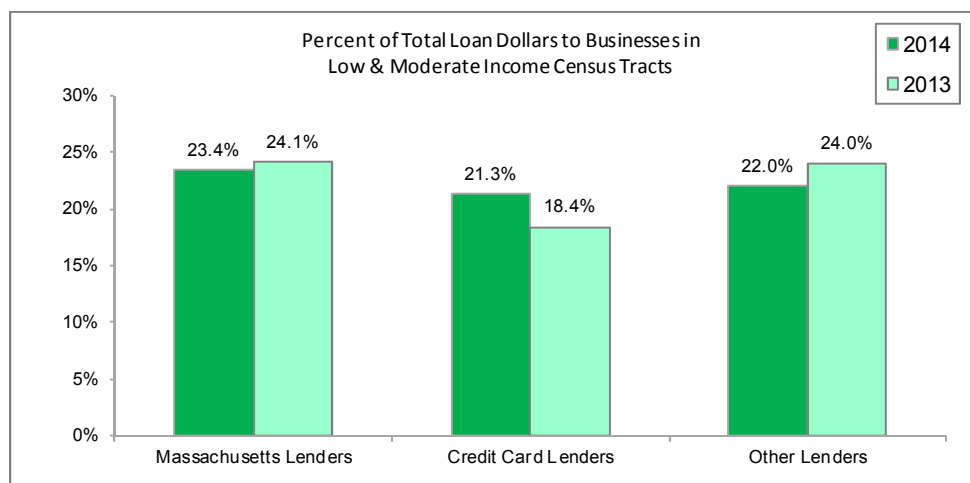
**Credit card lenders experienced large increases in the number and dollar volume of loans in lower income areas in Massachusetts in 2014 while local lenders recorded an increase in the number of loans but and decline in the dollar amount of loans.** Credit card lenders reported overall increases of 11.6% and 15.5% in the number and dollar amount of small business loans in lower income areas in 2014 while local lenders reported a 12.2% increase in the number of loans but a 2.7% decrease in the dollar amount of loans. Other out-of-state lenders recorded declines in both the number and dollar amount of small business loan volume in 2014.

TABLE : Small business loans in lower income areas (2014 CRA data)

	2014 Change in Number of Loans	% Change	2014 Change in \$ Amount of Loans (000s)	% Change
Local Lenders	554	12.2%	-\$19,325	-2.7%
Credit Card Lenders	1,628	11.6%	\$16,509	15.5%
Other Lenders	-183	-6.7%	-\$12,119	-8.4%
Totals	1,999	9.4%	-\$14,935	-1.5%

Local lenders and traditional out-of-state lenders have historically made a larger percentage of their loans in low and moderate income census tracts than credit card lenders although the gap has narrowed. In 2014 local lenders and traditional out-of-state lenders made 23.4% and 22.0% of their overall small business loan dollars in low and moderate income areas across the state respectively, compared to 21.3% for credit card lenders.

CHART: Local lenders and other out-of-state lenders made a larger percentage of their loans in low and moderate income tracts than credit card lenders although the gap narrowed in 2014



It is important to note that the local lenders that are included in the 2014 CRA data are considered to be *CRA-covered* lenders in that most of their banking activities in Massachusetts are subject to a CRA regulatory review which places an emphasis on lending in lower income and traditional underserved areas. Credit card lenders and other out-of-state lenders that do not have a branch presence in Massachusetts are considered *non-covered* lenders in that their banking activities in Massachusetts are not typically subject to such as CRA regulatory review.

The following table shows the statewide small business loan volume in low income and moderate areas of the state for local lenders that reported small business lending activity in 2014. More detailed information on these lenders is provided in the online appendix at [www.mcbsc.info](http://www.mcbsc.info).

TABLE: Small business loans in lower income areas by local lenders in Massachusetts (2014)

	Town	Massachusetts Deposits 6/30/2014 (\$000s)	Number of Loans	\$ Amount of Loans (\$000s)	\$ Average Loan Size (\$000s)
EASTERN BANK	LYNN	\$7,218,552	420	\$77,827	\$185
**BANK OF AMERICA, N.A.	WESTLAKE, FL	\$61,536,956	1,125	\$75,990	\$68
**TD BANK N.A.	WILMINGTON, DE	\$11,526,006	664	\$75,674	\$114
ROCKLAND TRUST COMPANY	BROCKTON	\$5,315,525	276	\$49,708	\$180
**SANTANDER BANK N.A.	WILMINGTON, DE	\$20,115,910	431	\$47,791	\$111
**CITIZENS BANK, NA	PROVIDENCE, RI	\$27,549,296	593	\$35,030	\$59
ENTERPRISE BANK AND TRUST CO	LOWELL	\$1,570,805	209	\$33,897	\$162
SALEM FIVE CENTS SAVINGS BANK	SALEM	\$2,644,084	88	\$23,227	\$264
COMMERCE BANK & TRUST COMPANY	WORCESTER	\$1,700,307	89	\$22,516	\$253
BROOKLINE BANK	BOSTON	\$2,326,851	56	\$20,389	\$364
WESTFIELD BANK	WESTFIELD	\$814,470	107	\$18,382	\$172
BAYCOAST BANK	FALL RIVER	\$775,751	72	\$17,132	\$238
CENTURY BANK	MEDFORD	\$2,859,688	109	\$17,052	\$156
BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$1,117,718	82	\$16,270	\$198
EAST BOSTON SAVINGS BANK	PEABODY	\$2,568,827	43	\$14,780	\$344
CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$2,061,682	29	\$12,134	\$418
UNITED BANK	SOUTH WINDSOR	\$1,387,625	61	\$11,215	\$184
CAMBRIDGE TRUST COMPANY	CAMBRIDGE	\$1,314,029	38	\$9,751	\$257
BOSTON PRIVATE BANK AND TRUST	BOSTON	\$3,402,482	25	\$8,914	\$357
MUTUALONE BANK	FRAMINGHAM	\$440,845	43	\$8,119	\$189
FIRST IPSWICH BANK	IPSWICH	\$251,196	23	\$8,037	\$349
HAMPDEN BANK	SPRINGFIELD	\$498,089	41	\$7,996	\$195
CAPE COD COOPERATIVE BANK	YARMOUTH PORT	\$554,956	40	\$6,645	\$166
CAPE COD FIVE CENTS SAVINGS BANK	ORLEANS	\$2,167,126	56	\$6,017	\$107
WATERTOWN SAVINGS BANK	WATERTOWN	\$967,231	19	\$5,754	\$303
MIDDLESEX SAVINGS BANK	WESTBOROUGH	\$3,538,099	33	\$5,492	\$166
INSTITUTION FOR SAVINGS	NEWBURYPORT	\$1,497,563	25	\$5,463	\$219
BERKSHIRE BANK	PITTSFIELD	\$2,279,954	32	\$5,001	\$156
CAPE ANN SAVINGS BANK	GLOUCESTER	\$337,889	33	\$4,854	\$147
PEOPLESBANK	HOLYOKE	\$1,500,760	23	\$4,687	\$204
HINGHAM INSTITUTION FOR SAVING	HINGHAM	\$1,029,347	10	\$3,656	\$366
NORTHERN BANK & TRUST COMPANY	WOBURN	\$1,026,391	21	\$3,433	\$163
HARBORONE BANK	BROCKTON	\$1,502,995	15	\$2,987	\$199
EAST CAMBRIDGE SAVINGS BANK	CAMBRIDGE	\$754,732	10	\$2,939	\$294
BANK OF CAPE COD	HYANNIS	\$196,356	12	\$2,925	\$244
UNIBANK	WHITINSVILLE	\$1,381,870	30	\$2,910	\$97
WEBSTER FIVE CENTS SAVINGS	WORCESTER	\$435,029	16	\$2,882	\$180
EAGLE BANK	EVERETT	\$366,218	10	\$2,881	\$288
BLUE HILLS BANK	NORWOOD	\$1,467,022	8	\$2,759	\$345
THE LOWELL FIVE CENT SAVINGS BANK	LOWELL	\$787,781	14	\$2,376	\$170
SOUTH SHORE BANK	SO WEYMOUTH	\$686,876	10	\$2,372	\$237
THE SAVINGS BANK	WAKEFIELD	\$404,650	7	\$2,169	\$310
EASTHAMPTON SAVINGS BANK	EASTHAMPTON	\$841,450	6	\$1,720	\$287
COUNTRY BANK	WARE	\$941,043	8	\$1,466	\$183
GREENFIELD SAVINGS BANK	GREENFIELD	\$504,876	25	\$1,320	\$53
BELMONT SAVINGS BANK	BELMONT	\$908,592	1	\$125	\$125
LOCAL LENDER TOTALS			5,088	\$694,664	\$137

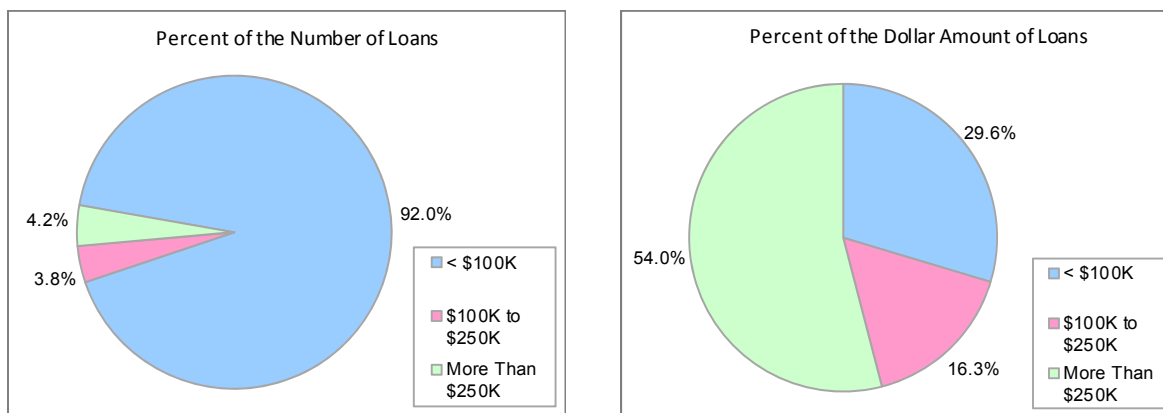
\*\* Denotes local commercial banks headquartered outside Massachusetts



### **BREAKDOWN BY ORIGINAL LOAN AMOUNT**

Small business loans under \$100,000 accounted for 92.0% of the total number of loans in lower income areas in 2014 and 29.6% of the dollar amount of loans (versus 93.1% and 32.5% for all income groups in the state) while larger small business loans - those with an original amount between \$250,000 and \$1 million - accounted for 4.2% of the number of loans and 54.0% of loan dollars (versus 3.7% and 52.3% statewide).

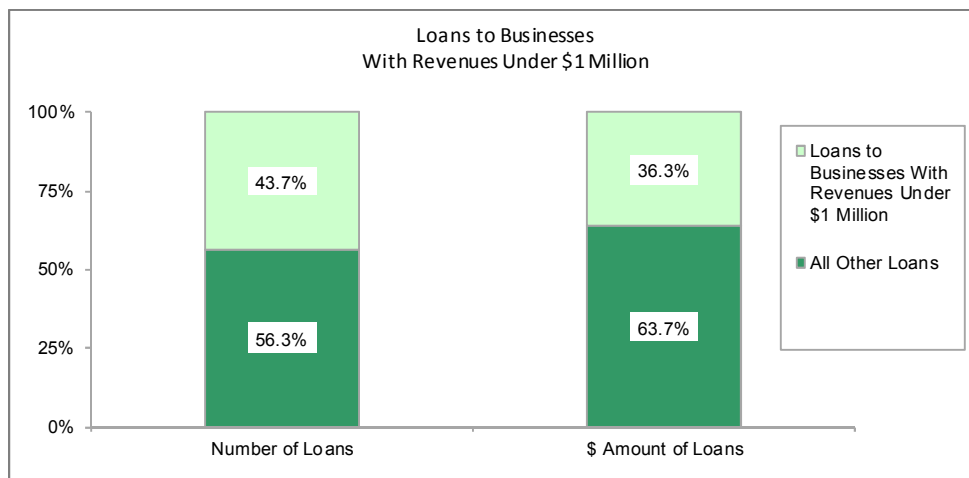
CHARTS: Breakdown of small business loans by original loan amount in lower income areas in Massachusetts (2014)



### **LOANS TO BUSINESSES WITH REVENUES UNDER \$1 MILLION**

In 2014, loans to businesses with annual revenues of \$1 million or less accounted for 43.7% of the number of loans in lower income areas and 36.3% of the dollar amount of loans (compared to 44.7% and 34.4% for all income groups statewide).

CHART: Breakdown of loans to businesses with annual revenues under \$1 million in lower income areas of Massachusetts (2014)



## **SMALL BUSINESS LOANS BY COUNTY**

The CRA database has historically shown that there is some correlation between the percentage of small business loans *originated* in lower income areas and the percentage of the population *living* in lower income areas, although considerable variability exists in this relationship. In 2014, three of the fourteen counties in Massachusetts recorded a higher percentage of small business loan dollars in lower income areas than one might expect given the percentage of their populations living in lower income areas (Barnstable, Essex, and Worcester). Middlesex and Suffolk Counties, which have the largest lower income populations in the state, recorded a lower percentage of small business loan dollars in lower income areas than one might expect given the percentage of their populations living in lower income areas.

TABLE : Small business loans in low and moderate income census tracts by county (2014)

	Number of Loans	% of County Total	\$ Amount of Loans (\$000s)	% of County Total	Low & Moderate Population	% of County Total
Barnstable	1,184	23.5%	\$49,134	23.3%	28,208	13.1%
Berkshire	263	11.9%	\$5,437	6.5%	17,343	13.2%
Bristol	1,787	24.6%	\$90,489	27.8%	161,205	29.4%
Dukes	0	0.0%	\$0	0.0%	0	0.0%
Essex	3,416	29.0%	\$161,457	36.5%	262,882	35.4%
Franklin	215	23.8%	\$5,106	15.6%	19,478	27.3%
Hampden	2,178	36.6%	\$96,616	35.8%	185,565	40.0%
Hampshire	150	6.5%	\$7,910	8.4%	19,187	12.1%
Middlesex	5,453	19.1%	\$206,083	18.5%	332,038	22.1%
Nantucket	0	0.0%	\$0	0.0%	0	0.0%
Norfolk	623	4.8%	\$24,638	5.1%	36,297	5.4%
Plymouth	955	11.9%	\$47,699	13.2%	85,638	17.3%
Suffolk	4,623	41.0%	\$157,491	31.7%	434,974	60.2%
Worcester	2,505	25.2%	\$97,288	31.4%	197,382	24.7%
State Totals	23,352	21.7%	\$949,348	22.3%	1,780,197	27.2%

**Six counties in Massachusetts experienced increases in small business loan dollars in lower income areas in 2014 while seven counties experienced declines**, although there was considerable variability from one county to the next. As an example, small business loan dollars declined by 56.4% in the lower income areas of Berkshire County in 2014 while increasing by 49.0% in the lower income areas of Hampshire County. Barnstable, Franklin, Hampden, Middlesex, and Suffolk Counties also experienced percentage declines in loan volume while Bristol, Essex, Norfolk, Plymouth, and Worcester Counties experienced increases. It should be noted that the large decline in Middlesex County in 2014 can be attributed in large part to a decline in the number of census tracts classified as low or moderate income.

TABLE : Change in loan volume in lower income areas (2014)

	2014 Change in Number of Loans	% Change	2014 Change in \$ Amount of Loans (\$000s)	% Change
Barnstable	159	15.5%	-\$9,442	-16.1%
Berkshire	-65	-19.8%	-\$7,033	-56.4%
Bristol	193	12.1%	\$16,630	22.5%
Dukes	--	--	--	--
Essex	846	32.9%	\$44,669	38.2%
Franklin	37	20.8%	-\$3,070	-37.5%
Hampden	74	3.5%	-\$12,741	-11.7%
Hampshire	-5	-3.2%	\$2,601	49.0%
Middlesex	-332	-5.7%	-\$55,923	-21.3%
Nantucket	--	--	--	--
Norfolk	83	15.4%	\$147	0.6%
Plymouth	125	15.1%	\$2,905	6.5%
Suffolk	735	18.9%	-\$5,789	-3.5%
Worcester	149	6.3%	\$12,111	14.2%
State Totals	1,999	9.4%	-\$14,935	-1.5%

The 2014 CRA data shows considerable variability at the county level between lending rates in lower income areas compared to higher income areas. Lending rates were lower in low and moderate income areas in 2014 compared to middle and upper income *areas* in six counties in Massachusetts that have low or moderate income census tracts, but were also higher in six other counties. The lending rates in counties with lower income areas ranged from \$274,000 per 100 firms in Franklin County to \$1,014,000 per 100 firms in Plymouth County.

TABLE : Lending rates in lower income vs higher income areas (2014)

	Low & Moderate Areas		Middle & Upper Areas	
	Lending Rate Per 100 Firms (\$000s)	% of Overall Lending Rate	Lending Rate Per 100 Firms (\$000s)	% of Overall Lending Rate
Barnstable	\$846	107.9%	\$713	91.7%
Berkshire	\$292	37.3%	\$490	63.0%
Bristol	\$906	115.6%	\$872	112.1%
Dukes	--	--	\$377	48.5%
Essex	\$925	118.1%	\$820	105.4%
Franklin	\$274	34.9%	\$659	84.7%
Hampden	\$771	98.4%	\$824	105.9%
Hampshire	\$688	87.8%	\$626	80.4%
Middlesex	\$865	110.4%	\$819	105.2%
Nantucket	--	--	\$1,411	181.3%
Norfolk	\$1,000	127.6%	\$768	98.8%
Plymouth	\$1,014	129.5%	\$858	110.3%
Suffolk	\$647	82.6%	\$839	107.9%
Worcester	\$640	81.7%	\$581	74.7%
State Totals	\$783	100.0%	\$778	100.0%

## **SMALL BUSINESS LOANS BY CITY & TOWN**

As was the case at the county level, there also exists considerable variability at the city and town level between the percentage of small business loans *originated* in lower income areas and the percentage of the population *living* in lower income areas.

Detailed small business loan data by city and town can be found in the online appendix at [www.mcabc.info](http://www.mcabc.info).

TABLE: Volume of small business loans in lower income areas by town (2014)

	Number of Loans	% of Town Total	\$ Amount of Loans (\$000s)	% of Town Total	Population in Lower Income	% of Town Total
Boston	3,891	34.0%	\$138,287	28.3%	365,409	59.2%
Springfield	1,245	84.8%	\$56,720	92.6%	117,411	76.7%
Worcester	1,312	61.4%	\$51,011	74.7%	101,016	55.8%
Lowell	750	78.4%	\$20,290	74.6%	88,491	83.1%
Lawrence	704	100.0%	\$37,011	100.0%	76,377	100.0%
Brockton	801	68.9%	\$41,400	76.1%	72,245	77.0%
Lynn	587	76.3%	\$33,646	83.8%	70,120	77.6%
New Bedford	764	70.5%	\$38,706	69.6%	68,707	72.3%
Fall River	666	72.5%	\$32,169	71.4%	63,941	72.0%
Cambridge	1,053	39.6%	\$40,928	41.8%	46,058	43.8%
Malden	710	78.5%	\$27,948	86.3%	42,357	71.2%
Everett	554	94.1%	\$24,249	98.4%	37,834	90.8%
Revere	401	71.6%	\$7,037	55.7%	36,453	70.4%
Somerville	515	42.3%	\$23,007	55.2%	33,555	44.3%
Chelsea	331	91.9%	\$12,167	83.9%	33,112	94.1%
Holyoke	309	80.7%	\$11,616	78.2%	31,219	78.3%
Haverhill	311	42.5%	\$11,537	40.7%	29,763	48.9%
Fitchburg	300	73.2%	\$18,580	88.7%	25,698	63.7%
Framingham	444	30.7%	\$15,442	33.0%	24,985	36.6%
Salem	496	58.3%	\$25,225	70.9%	24,190	58.5%
Chicopee	213	36.9%	\$8,045	38.0%	21,507	38.9%
Quincy	375	22.7%	\$15,201	29.2%	21,494	23.3%
Taunton	205	30.8%	\$9,560	37.2%	17,513	31.3%
Gloucester	358	59.7%	\$18,444	64.6%	15,964	55.5%
Waltham	327	22.5%	\$14,297	21.2%	15,275	25.2%
Leominster	265	41.5%	\$9,176	38.5%	15,124	37.1%
Methuen	204	31.4%	\$8,134	35.6%	14,601	30.9%
Medford	317	33.5%	\$13,823	49.4%	14,355	25.6%
Beverly	478	54.4%	\$19,999	65.1%	13,940	35.3%
Peabody	192	20.1%	\$4,513	11.8%	12,665	24.7%
Southbridge	115	74.7%	\$3,146	70.4%	12,385	74.1%
Amherst	12	3.4%	\$488	5.2%	12,079	31.9%
Pittsfield	214	32.5%	\$4,088	20.2%	11,955	26.7%
Athol	70	100.0%	\$2,569	100.0%	11,584	100.0%
Barnstable	507	41.5%	\$25,980	50.0%	11,033	24.4%
Webster	105	53.3%	\$1,893	70.7%	10,265	61.2%
Westfield	130	20.1%	\$3,920	11.1%	9,567	23.3%
Orange	48	100.0%	\$1,279	100.0%	7,839	100.0%
Marlborough	158	22.0%	\$5,529	17.8%	7,497	19.5%
Greenfield	138	48.4%	\$3,681	31.6%	7,426	42.5%

Lending rates were generally lower in low and moderate income areas compared to higher income areas although there was considerable variability by town. In five of the ten Massachusetts cities with the largest minority populations lending rates were highest in lower income areas (Springfield, Worcester, Brockton, Lynn, and Cambridge) while in four other large cities they were lowest (Boston, Lowell, New Bedford, and Fall River).

Detailed small business loan data by city and town can be found in the online appendix at [www.mcabc.info](http://www.mcabc.info).

TABLE: Small business lending rates by town (2014)

	Low & Moderate Areas		Middle & Upper Areas	
	Lending Rate Per 100 Firms (\$000s)	% of Overall Lending Rate	Lending Rate Per 100 Firms (\$000s)	% of Overall Lending Rate
Boston	\$659	82.2%	\$858	107.0%
Springfield	\$743	109.0%	\$336	49.3%
Worcester	\$661	123.5%	\$344	64.3%
Lowell	\$420	92.9%	\$584	129.1%
Lawrence	\$957	100.0%	--	--
Brockton	\$1,053	105.8%	\$848	85.2%
Lynn	\$979	107.4%	\$672	73.7%
New Bedford	\$972	94.8%	\$1,174	114.5%
Fall River	\$793	97.3%	\$877	107.6%
Cambridge	\$986	119.2%	\$741	89.6%
Malden	\$1,042	110.5%	\$590	62.6%
Everett	\$1,023	105.6%	\$231	23.9%
Revere	\$398	81.9%	\$673	138.5%
Somerville	\$1,112	129.1%	\$674	78.2%
Chelsea	\$766	93.6%	\$1,266	154.8%
Holyoke	\$564	96.7%	\$663	113.8%
Haverhill	\$580	83.1%	\$812	116.3%
Fitchburg	\$1,009	122.6%	\$337	41.0%
Framingham	\$781	113.5%	\$650	94.5%
Salem	\$1,235	125.3%	\$660	67.0%
Chicopee	\$703	94.5%	\$771	103.7%
Quincy	\$1,155	153.2%	\$659	87.4%
Taunton	\$780	109.2%	\$680	95.2%
Gloucester	\$984	101.1%	\$954	98.0%
Waltham	\$1,066	106.6%	\$984	98.4%
Leominster	\$604	81.5%	\$864	116.6%
Methuen	\$858	119.2%	\$661	91.8%
Medford	\$1,156	165.2%	\$505	72.2%
Beverly	\$1,050	135.9%	\$518	67.0%
Peabody	\$461	49.9%	\$1,067	115.6%
Southbridge	\$407	95.2%	\$485	113.5%
Amherst	\$178	40.4%	\$497	112.8%
Pittsfield	\$275	51.6%	\$698	131.0%
Athol	\$382	100.0%	--	--
Barnstable	\$986	123.8%	\$668	83.8%
Webster	\$306	136.3%	\$137	60.8%
Westfield	\$543	40.6%	\$1,636	122.3%
Orange	\$223	100.0%	--	--
Marlborough	\$623	79.9%	\$824	105.7%
Greenfield	\$375	59.2%	\$928	146.5%

## **LENDING IN GATEWAY CITIES & ECONOMIC TARGET AREAS**

This report includes a review of CRA-reported small business lending in Massachusetts Gateway Cities and Economic Target Areas which represents a new addition to the report. The inclusion of this component of the report is intended to provide interested parties with additional information regarding credit flows in these priority economic development areas for informational purposes. It is important to note that the annual CRA data does not include the small business lending activity of many Massachusetts community banks and other lenders that play an important role in the economic development of Massachusetts cities and towns. At the same time, the CRA data remains the only publicly available dataset that provides a geographic breakdown of small business lending trends.

### **Gateway Cities**

The term Gateway City is a state designation that refers to municipalities with populations between 35,000 and 250,000, median family incomes below the state average, and rates of educational attainment at the college degree level below the state averages. The goal of the Gateway Cities program is to promote economic development agenda through long-term investments in education, innovation, and infrastructure, with special attention to the growth potential of entrepreneurs and small businesses. State resources available for supporting revitalization of Gateway Cities include expedited permitting, smart zoning initiatives, community development block grants, community investment tax credits, district improvement financing, and other incentives. Additional information regarding the program is available online at: <http://www.mass.gov/hed/community/planning/gateway-cities-and-program-information.html>.

A summary of the 2014 CRA-reported small business lending data in the Gateway Cities is shown in the following table.

TABLE: CRA-reported small business loans in Gateway Cities (2014)

	Number of Loans	\$ Amount of Loans (\$000s)	2014 vs 2013 % Change in Number of Loans	2014 vs 2013 % Change in \$ Amount of Loans	Lending Rate Per 100 Firms
Attleboro	587	\$28,671	11.2%	13.3%	\$1,039
Barnstable	1,223	\$51,918	9.7%	-4.1%	\$797
Brockton	1,163	\$54,432	15.7%	-8.1%	\$995
Chelsea	360	\$14,510	20.4%	-12.1%	\$818
Chicopee	577	\$21,175	5.5%	-13.8%	\$744
Everett	589	\$24,654	21.2%	32.4%	\$969
Fall River	919	\$45,032	9.1%	10.3%	\$815
Fitchburg	410	\$20,955	18.5%	19.8%	\$823
Haverhill	732	\$28,367	13.8%	37.4%	\$698
Holyoke	383	\$14,845	0.5%	-22.1%	\$583
Lawrence	704	\$37,011	20.8%	28.7%	\$957
Leominster	638	\$23,851	19.3%	36.6%	\$741
Lowell	957	\$27,216	10.0%	-16.2%	\$452
Lynn	769	\$40,156	11.3%	32.1%	\$911
Malden	905	\$32,397	19.4%	2.5%	\$943
Methuen	649	\$22,859	11.7%	3.1%	\$720
New Bedford	1,083	\$55,593	11.3%	10.5%	\$1,025
Peabody	957	\$38,150	8.3%	4.4%	\$923
Pittsfield	659	\$20,280	-11.9%	-43.0%	\$533
Quincy	1,654	\$51,971	11.5%	-4.4%	\$754
Revere	560	\$12,625	36.6%	8.4%	\$486
Salem	851	\$35,580	12.4%	-2.1%	\$986
Springfield	1,468	\$61,251	2.2%	-13.0%	\$682
Taunton	666	\$25,680	7.9%	5.4%	\$714
Westfield	647	\$35,409	11.9%	12.0%	\$1,328
Worcester	2,138	\$68,333	7.4%	5.3%	\$535
Gateway City Totals	22,248	\$892,921	10.8%	2.0%	\$775
State CRA Totals			10.7%	5.5%	\$785

## **Economic Target Areas & Regional Technology Centers**

The terms Economic Target Area (ETA) and Regional Technology Centers (RTC) are state designations based on income, unemployment and other economic characteristics of an area that enables a municipality to offer local tax incentives and allows businesses contemplating expanding within an ETA or RTC the ability to apply for tax credits. Additional information regarding the program is available online at:

<http://www.mass.gov/hed/economic/eohed/bd/econ-development/eligibility/etaeo/>.

A summary of the 2014 CRA-reported small business lending data in the ETAs and RTCs is shown in the following tables.

TABLE: CRA-reported small business loans in Economic Target Areas (2014)

	Number of Loans	\$ Amount of Loans (\$000s)	2014 vs 2013 % Change in Number of Loans	2014 vs 2013 % Change in \$ Amount of Loans	Lending Rate Per 100 Firms
<b>ETAs</b>					
Attleboro	587	\$28,671	11.2%	13.3%	\$1,039
Auburn	294	\$12,471	10.9%	34.3%	\$737
Barnstable County	5,272	\$204,469	9.7%	-1.9%	\$743
Berkshire County	1,295	\$38,952	-8.6%	-39.2%	\$520
Beverly & Salem	2,496	\$111,259	15.8%	12.6%	\$1,042
Billerica	823	\$37,979	5.5%	-4.2%	\$1,121
Blackstone Valley	1,571	\$45,847	17.3%	13.9%	\$579
Brockton	1,430	\$71,684	15.7%	1.3%	\$1,120
Brookfield	18	\$106	-25.0%	-47.8%	\$50
Cambridge	2,658	\$97,873	15.0%	6.0%	\$827
Cape Ann	1,333	\$58,691	15.8%	50.8%	\$932
Chelsea, Revere & Winthrop	1,144	\$29,916	27.0%	-5.7%	\$542
East Brookfield	18	\$412	-21.7%	-43.5%	\$273
Fall River, Somerset & Westport	1,424	\$70,096	13.3%	15.7%	\$867
Fort Devens, Ayer & Groton	323	\$13,249	25.7%	15.6%	\$833
Framingham-Marlborough Region	5,010	\$181,424	13.8%	13.5%	\$749
Greater Boston	11,455	\$488,906	11.7%	5.6%	\$802
Greater Franklin County	2,087	\$74,001	5.9%	-9.1%	\$557
Greater New Bedford	2,623	\$112,953	12.0%	11.5%	\$895
Greater Taunton	1,462	\$59,293	11.7%	8.6%	\$825
Holyoke Regional	1,876	\$82,109	7.8%	-6.6%	\$891
Lawrence, Methuen & North Andover	875	\$46,631	21.9%	30.2%	\$1,017
Lowell & Chelmsford	1,324	\$47,987	8.0%	-2.7%	\$625
Lynn	769	\$40,156	11.3%	32.1%	\$911
Middleborough	386	\$16,240	14.5%	30.9%	\$839
Milford	345	\$8,991	23.2%	-15.0%	\$516
Northern Berkshire County	312	\$8,126	17.7%	48.7%	\$367
Northern Worcester County	2,314	\$91,892	15.5%	30.3%	\$677
Old Colony Regional ETA	1,719	\$61,946	12.9%	0.2%	\$804
Peabody	957	\$38,150	8.3%	4.4%	\$923
Pepperell	173	\$4,476	0.0%	-43.0%	\$525
Quincy Area	6,024	\$236,956	6.8%	5.7%	\$858
Russell	106	\$1,888	2.9%	-36.3%	\$391
Shirley	86	\$3,001	13.2%	0.6%	\$727
Somerville	1,218	\$41,654	22.5%	6.2%	\$861
South Central Massachusetts	1,304	\$33,875	21.4%	34.0%	\$460
South Hadley	228	\$6,831	-11.6%	-23.2%	\$651
South Shore Tri-Town ETA	1,362	\$49,812	11.3%	-8.7%	\$777
Springfield	1,468	\$61,251	2.2%	-13.0%	\$682
Waltham	1,451	\$67,487	9.1%	8.6%	\$1,000
Ware River Valley	714	\$20,399	7.5%	18.1%	\$472
Wareham/ Buzzards Bay	511	\$25,954	15.9%	34.1%	\$1,039
West Springfield	671	\$32,421	15.3%	-2.8%	\$1,192
Worcester	2,138	\$68,333	7.4%	5.3%	\$535
ETA Totals	71,654	\$2,834,818	11.3%	5.5%	\$779
State CRA Totals			10.7%	5.5%	\$785

TABLE: CRA-reported small business loans in Regional Technology Centers (2014)

	Number of Loans	\$ Amount of Loans (\$000s)	2014 vs 2013 % Change in Number of Loans	2014 vs 2013 % Change in \$ Amount of Loans	Lending Rate Per 100 Firms
<b>RTCs</b>					
495 Regional Technology Center	746	\$35,052	8.9%	30.2%	\$982
Andover-Tewksbury Regional Technology Center	1,292	\$58,681	13.5%	51.8%	\$971
Bedford	376	\$23,683	13.6%	10.4%	\$1,421
Burlington	745	\$34,015	13.6%	2.7%	\$957
Dracut High Technology	411	\$14,530	20.9%	5.7%	\$720
Georgetown I-95 Regional Technology Center	154	\$4,794	11.6%	25.7%	\$627
I-495/95 South Regional Technology Center	3,388	\$133,960	8.7%	7.3%	\$835
Lexington	855	\$28,041	6.7%	-3.8%	\$694
Maynard	194	\$6,353	39.6%	13.6%	\$682
Needham	911	\$34,701	6.5%	2.9%	\$852
Newton Regional Technology Center ETA	2,516	\$78,471	6.8%	6.4%	\$696
Northern Essex Regional	2,354	\$94,467	17.4%	30.8%	\$770
Plymouth	1,136	\$43,511	15.2%	-5.4%	\$858
TeleCom City	834	\$31,434	20.2%	28.4%	\$894
Watertown Regional Technology Center	786	\$29,967	12.9%	0.8%	\$956
Westborough Regional Technology Center	533	\$29,592	9.0%	37.0%	\$1,133
Westwood	355	\$8,784	14.9%	-18.3%	\$516
Woburn Regional Technology Center	1,277	\$57,562	2.8%	-7.6%	\$1,125
RTC Totals	18,863	\$747,598	11.1%	11.3%	\$855
ETA & RTC Totals	90,517	\$3,582,416	11.3%	6.7%	\$793
State CRA Totals			10.7%	5.5%	\$785



## **CONCLUSION**

A review of the most recent annual CRA data shows that small business loan volume in Massachusetts increased in 2014 for the fourth consecutive year, while quarterly Call Report data and data compiled by the SBA in 2015, also showed increases in small business lending. A review of some of the current economic conditions that influence small business lending shows that the economic climate in Massachusetts and across the country has improved and most indicators point to continued improvement.

The 2014 CRA data shows that lower income areas in Massachusetts, which account for roughly one-quarter of the state's population, experienced relatively small declines in small business loan dollars 2014 compared to the previous year while middle and upper income areas experienced increases.

At the same time, the CRA data also shows that the lowest lending rates in Massachusetts, measured in the amount of loan dollars per 100 firms, were recorded in upper income communities in 2014 for the third consecutive year although the lending rates between income groups fell within a relatively narrow range of values.

# DATA SOURCES

## ECONOMIC CLIMATE

An effort has been made to incorporate the most current economic data as possible in this report. Due to the reporting differences of the various sources of data utilized, the “as of” dates for the data presented in the section on Economic Climate may vary widely.

Data on business ownership by minority, gender, veteran, and immigrant status was obtained from the Census Bureau’s Survey of Businesses and the American Community Survey.

Survey data on underwriting standards was obtained from the Office of the Comptroller of the Currency.

Consumer debt data was obtained from the Federal Reserve Board.

Loan delinquency data, loan charge-off data, and bank failure data was obtained from the Federal Deposit Insurance Corporation.

State and national unemployment data was obtained from the Bureau of Labor and Statistics, a division of the US Department of Labor.

State and national GDP data was obtained from the Bureau of Economic Analysis, a division of the US Department of Commerce.

Housing price data and foreclosure data was obtained from Zillow and The Warren Group which are leading online resources for real estate sales statistics and foreclosure data.

## DEMOGRAPHIC DATA

All demographic data, including total population data, income level data, and minority population data, was obtained from the Federal Financial Institutions Examination Council (FFIEC), which is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Consumer Financial Protection Bureau.

The recently released 2010 decennial census data, which banks began using in 2012 for the purposes of compiling their annual CRA submissions, reflects significant changes in census tract boundaries and demographic data, including data pertaining to income level classifications and racial composition compared to the 2000 decennial census data which banks used through 2011.

Census tract income levels are defined in accordance with CRA guidelines and are broken down into low, moderate, middle, and upper income categories where low is less than 50% of the median family income of a given metropolitan statistical area, moderate is 50% to 80%, middle is 80% to 120%, and upper is 120% or more. Census tract income level classifications are updated every five years as part of the US Census Bureau’s five-year American Community Survey, and also periodically as result of changes to MSA boundaries.

High minority neighborhoods are defined for the purposes of this report as census tracts where the white non-Hispanic population is less than 25%. Mixed-race neighborhoods are defined for the purposes of this report as census tracts where the white non-Hispanic population is between 25% and 75%. White neighborhoods are defined for the purposes of this report as census tracts where the white non-Hispanic population is greater than 75%. Based on the most recent decennial census data, ten cities and towns in Massachusetts have high minority census tracts including Boston, Brockton, Chelsea, Framingham, Holyoke, Lawrence, Lowell, Lynn, Springfield, and Worcester.

Thirteen cities and towns in Massachusetts have census tracts containing immigrant, or foreign-born, populations that exceed 40% of the total population including Boston, Cambridge, Chelsea, Everett, Lawrence, Lowell, Lynn, Malden, Medford, Quincy, Revere, Somerville, and Waltham.

### **SMALL BUSINESS LOAN DATA**

For the purposes of both the CRA and Call Report reporting requirements, small business loans are defined as business loans and commercial real estate loans with original amounts of \$1 million or less.

The annual CRA data is compiled by the FFIEC in accordance with the annual disclosure requirement of the CRA law, which is a provision that generally applies only to the nation's largest banks and which provides information regarding the number and original amount of originated small business loans during the preceding calendar year. In contrast, the quarterly Call Report filing requirements mandate that all banks regardless of their size provide detailed information regarding their small business loans although, instead of focusing on origination activity during the preceding time period, the Call Report data focuses on the total number of loans and the current balances on the books as of the close of the reporting period. Another important difference involves the fact that the annual CRA data includes detailed information about the geographic location of the loan, whereas the quarterly Call Report does not.

Despite their differences, both databases serve as valuable sources of information. The chief advantages of the CRA database are that it makes it possible to analyze lending trends in traditionally underserved areas as well as to analyze the local data of lenders that are not headquartered in Massachusetts. The chief advantages of Call Report data are that it covers all FDIC-insured banks across the country and is available on a quarterly rather than annual basis.

The number of lenders that are reflected in both databases varies from one reporting period to the next, primarily due to the effects of mergers, acquisitions, and consolidations within the banking industry. In addition, the number of lenders that are included in the annual CRA data is also influenced by the asset-size threshold for the CRA disclosure requirement, which was raised several years ago from \$250 million in assets to \$1 billion and which is now pegged to the Consumer Price Index (CPI) to keep pace with inflation. The asset-size threshold was increased to \$1.202 billion for 2014 and will increase to \$1.221 billion for 2015. Banks with assets below the reporting threshold also have the option to file an annual CRA disclosure if they wish, and many such banks are also included in the CRA database. Credit unions, on the other hand, whether state or federally chartered, are not subject to the provisions of the CRA law, including the annual disclosure requirement, and are not included in the annual CRA database.

Consequently, the annual CRA database does not reflect the lending activity of all lenders that make small business loans, and this is particularly true for local financial institutions and other lenders that make loans in the state. In specific terms, there were a total of 152 banks and thrifts headquartered in Massachusetts at the end of 2014, most of which make small business loans but of which only 42 were included in the annual CRA database. There were also 183 state and federal credit unions in Massachusetts at the end of Q2/2015, many of which also make member business loans but none of which were included in the annual CRA database. In addition there were a large number of other lenders

from around the country that make small business in Massachusetts but that are not required to file an annual CRA disclosure.

Despite these shortcomings, the annual CRA database is fairly representative of a substantial majority of small business lending activity due to the fact that banks with assets over \$1 billion, which are those that are most likely to be included in the annual CRA database, account for most of the lending activity across the country. According to the Call Report database, as of June 30, 2015 banks with assets over \$1 billion accounted for 85.6% of the total number of small business loans and 70.2% of the dollar amount of small business loans on the books of FDIC-insured financial institutions across the country, and this percentage has edged up slightly since the recent financial crisis.

Credit union data was obtained from the National Credit Union Administration and is based on the quarterly financial report filed by state and federal credit unions.

State and national SBA data was obtained from the Massachusetts regional SBA office and the Office of the Chief Economist of the SBA respectively. SBA data includes all major lending programs for the fiscal years ending September 30.

CRA small business lending rates were calculated using CRA small business loan data obtained from the FFIEC and number of firms data obtained from Dunn & Bradstreet. Lending rates used in this report show the amount of loan dollars per 100 firms. The numerator of the calculation is the dollar amount of loans and the denominator of the calculation is the number of firms divided by 100.

Local CRA lenders are defined for the purposes of this report as banks that filed an annual CRA disclosure with their federal regulator and are either based in Massachusetts or are headquartered outside the state but maintain a substantial local branch presence. Local CRA lenders includes Massachusetts community banks and the four large commercial banks that are headquartered outside the state, specifically Bank of America, Citizens Bank, Santander Bank, and TD Bank.

Credit card lenders are estimated for the purposes of this report based on a review of CRA small business loan volume and average loan size. Institutions that are included in this category generally reported several hundred or more small business loans with an average loan size of \$15,000 or less.

### **SMALL BUSINESS ECONOMIC DATA**

Unlike the state and national economic data discussed in this report, which is updated continuously, current information related to business demographics – such as the number of businesses operating within a particular geographic area – is harder to come by and is updated less frequently. The most recent business demographic data reviewed in this report actually pre-dates much of the economic data and small business lending data contained in this report and is shown in this section to provide a basic overview of business demographics in Massachusetts.

Data compiled in 2008 by the Census Bureau and the Bureau of Labor Statistics indicates that are approximately 613,280 businesses operating in Massachusetts consisting of 141,843 firms with employees and an additional 471,437 sole proprietorships or non-employers, which together account for 3.5 million jobs in the state. The majority of these firms are private, for-profit business organizations although the figures also include data for non-profit employers which are a growing source of employment and represent approximately 6% of the firms in the state and an estimated 14% of the workforce. It is important to note, however, that the figures do not include government employers, which account for an additional 12.5% of the state's workforce, as well as self-employed individuals who do not operate as sole proprietorships and for which little data is available. The business demographic data and

employment data is also complicated by the fact that many people have two or more jobs or may work for two or more firms or sole proprietorships, while others may work as an employee of a firm while also operating a sole proprietorship. The data is further muddled by the fact that a small number of sole proprietorships are not active, going concerns and a small number of businesses, such as cash-only businesses, operate completely under the radar.

Identifying the number of *small* businesses is even more challenging since, despite the frequency with which the term is used in our lexicon, there is no universally accepted definition of a small business. The most common measures of business size are based on the number of employees or the annual revenues of the business as compiled by the Census Bureau and the Bureau of Labor Statistics. While these measures are essentially arbitrary and vary from industry to industry, they represent our best source of information about small business demographics. Regardless of the measure used, it is clear that small businesses account for the majority of the *number* of businesses in Massachusetts and across the country. What is less clear is the precise contribution that small businesses make toward the overall economy since different people define small businesses in different ways. When we define small businesses as businesses with fewer than 20 employees, which is a commonly used measure, we find that such businesses account for 97% of the total number of businesses in Massachusetts and 32% of the jobs across the state.

CHARTS: The data shows that businesses with fewer than 20 employees far outnumber larger businesses in Massachusetts, and account for a substantial share of the jobs in the state

